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In the Supreme Court

OF THE

United States

OCTOBER TERM, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Petitioner,

VS.

GENENTECH, INC.,
Respondent.

Petition for a Writ Of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a State's decision to enforce its federal patent rights in federal court, as required by exclusive federal jurisdiction over such cases, results in a compulsory, involuntary waiver of the State's Eleventh Amendment immunity to state law counterclaims despite the constitutional prohibition against the maintenance of state law claims against a State in federal court announced in *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89 (1984).

2. Whether an Act of Congress which was intended to protect patent holders from infringement and other violations by the States contains a clear and unambiguous abrogation of the States' Eleventh Amendment immunity from declaratory judgment actions attacking a patent owned by a State.

3. Whether an Act of Congress, which applies to violations of Title 35 of the United States Code that occur on or after October 28, 1992, may be employed to eliminate a State's sovereign immunity to a suit brought in 1990 when the Act contains no express and unequivocal statutory direction to apply the Act retroactively.

PARTIES TO THE PROCEEDING

Petitioner in this Court is The Regents of the University of California. The respondent is Genentech, Inc., which is affiliated with Roche Holdings, Inc. and Roche Holdings, Ltd. Eli Lilly and Company was a party in the district court.

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Petitioner respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals is reported at 998 F.2d 931, and is included in the Appendix at pages A-1-29. The order of the court of appeals denying rehearing and the resulting judgment are included at A-30-32. The order of the district court entered February 4, 1991 (A-35-41) and the final judgment of the district court entered March 7, 1991 (A-42) are unreported.

JURISDICTION

The opinion and judgment of the court of appeals was entered on July 1, 1993. A timely petition for rehearing was denied on

September 23, 1993 (A-30-31). The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Eleventh Amendment to the United States Constitution and the Patent and Plant Variety Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), are set out at A-43-46.

STATEMENT OF THE CASE

The substance of this dispute concerns a patent owned by The Regents of the University of California ("the University") relating to recombinant DNA technology as used for the production of human growth hormone ("hGH"). The University is a constitutional branch of the State of California which administers the University of California system as a public trust. Cal. Const., Art. IX, § 9. The University is "the primary state-supported academic agency for research." Cal. Educ. Code § 66010.4(c). This petition concerns the Eleventh Amendment immunity of the University, as an arm of the State, to litigation brought by private parties against a State in federal court.

The University granted an exclusive license of its hGH patent to Eli Lilly and Company ("Lilly"). On August 5, 1990, a Lilly representative told respondent Genentech, Inc. that the University was planning to sue Genentech for infringement of the University's hGH patent in California. Jt.App. 302A.[1] Genentech responded by filing suit in the Southern District of Indiana against the University and Lilly on August 6, 1990. Genentech sought a declaration that the University's hGH patent was invalid, unenforceable and not infringed. Jt.App. 23-25. The University filed suit against Genentech for infringement of the hGH patent in the Northern District of California on August 7, 1990. Jt.App. 282-285.

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[1] References to the "Jt.App." are to the Joint Appendix filed in the Federal Circuit.

Genentech served the University and Lilly with an Amended Complaint in the Indiana case on or about August 24, 1990. In addition to seeking declaratory relief, Genentech alleged that the University had violated Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1, 2). Genentech also added pendent, state law claims alleging that the University had committed fraud, breached third party beneficiary obligations, breached a settlement agreement, committed unfair business practices in violation of California Business and Professions Code § 17200, and tortiously interfered with contract and prospective business advantage. Jt.App. 251-281.

Genentech sought compensatory damages in the amount of fifty million dollars, treble and punitive damages, a declaration that the University's past and present conduct violated federal and state law, and a variety of declarations and injunctions. Jt.App. 278-280.

The University brought a motion to dismiss the Amended Complaint pursuant to Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure in the Indiana case on a number of grounds, only one of which is pertinent in this Court: the University asserted that all claims against the University, as a constitutional arm of the State of California, were barred by the Eleventh Amendment. The University obtained a stay of discovery while its motion to dismiss was pending (Jt.App. 296), and opposed a motion by Genentech to have the Southern District of Indiana enjoin the University from proceeding with its patent infringement suit in California.[2]

The Indiana district court granted the University's motion to dismiss on February 4, 1991. A-35-41. The district court ruled that all claims were barred by the Eleventh Amendment. The court held that Congress had not abrogated the States' constitutional immunity in the patent law (A-38, citing *Chew v. State of California,* 893 F.2d 331 (Fed. Cir.), *cert. denied,* 498 U.S. 810 (1990)), and that dismissal of the state law claims against the

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[2] The district court did not rule on Genentech's injunction motion in light of its dismissal of Genentech's Indiana suit. The case filed by the University in California remains pending.

University was required by *Pennhurst State School & Hospital v. Halderman,* 465 U.S. 89 (1984).[3] A-41. A separate judgment, pursuant to Fed.R.Civ.P. 54(b), dismissing the University from the Indiana case was entered on March 7, 1991.

The Federal Circuit heard oral argument in the appeal from that judgment on August 7, 1991. Before an opinion was issued, Congress enacted the Patent and Plant Variety Remedy Clarification Act, Public Law 102-560, 106 Stats. 4230 ("the Act") on October 28, 1992. A-44-46. The Act eliminated the States' immunity for patent infringement or for any other violation of Title 35 of the United States Code. A-44. After a further round of briefing on the effect of the Act on the pending appeal, the Federal Circuit issued its opinion on July 1, 1993. A-1-29.

The Federal Circuit affirmed dismissal of the antitrust counts for failure to state a claim, but reversed the district court's judgment of dismissal as to ali other claims. The court held that the Act had abrogated the States' Eleventh Amendment immunity from declaratory judgment suits seeking a declaration that a patent owned by a State is invalid, unenforceable or not infringed. A-12-18. Such actions were held to be encompassed within the plain meaning of new 35 U.S.C. § 296(a) of the Act. The Federal Circuit found that the Act applied to this suit, filed in 1990, even though Section 4 of the Act stated that it applied "with respect to violations that occur on or after the date of the enactment of this Act," which was October 28, 1992. A-18-20.

The court of appeals reinstated Genentech's state law claims against the University, holding that the University had waived its immunity to such claims to the extent that they would be proper counterclaims in a patent infringement suit brought by the University. A-21-26. The court held that pendent counterclaims in

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[3] The district court ruled that the Sherman Act claims were barred by the Eleventh Amendment and by state action immunity as set forth in *Parker v. Brown,* 317 U.S. 341 (1943), and its progeny (A-40-41), and that the patent declaratory judgment count should be dismissed for the additional reason that Genentech had misused that count as a forum shopping device. A-38-40.

recoupment were proper when they provide a state law defense to a patent infringement suit, or when they would be compulsory under Rule 13(a) of the Federal Rules of Civil Procedure. A-21-26. Such claims, according to the Federal Circuit, fell outside of the prohibition set forth in *Pennhurst*, 465 U.S. 89, against a private party bringing state law claims against a State in federal court, assertedly because Genentech was defending against a claim brought by a State and did not seek to coerce state action. A-22-23.

The University's rehearing petition was denied without opinion. A-30-31. The University was unsuccessful in obtaining a stay or recall of the Federal Circuit's mandate. A-33-34.

The Federal Circuit opinion stated that "the University must plead its charge of patent infringement in response to Genentech's action for declaration of noninfringement, lest the University's charge be barred by *res judicata*." A-21, citing, *inter alia*, Fed.R.Civ.P. 13(a). In obedience to the mandate of the court of appeals, the University filed a compulsory counterclaim in the district court in Indiana under protest and expressly without prejudice to the University's Eleventh Amendment rights, solely for infringement of the hGH patent.

REASONS FOR GRANTING THE PETITION

I.

Under the Federal Circuit's opinion, any litigation by a State of patent issues which necessarily must be filed in federal court will subject the State to litigation of state law claims as well. Such a result is forbidden by *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89 (1984), which held that private parties may not sue States on state law claims in federal court. The Eleventh Amendment entitles the States to restrict their amenability to suit on state law claims to state court. *Pennhurst*, 465 U.S. at 99 ("A State's constitutional interest in immunity encompasses not merely *whether* it may be sued, but *where* it may be sued." [Court's emphasis; footnote omitted]).

The Federal Circuit held that *Pennhurst* immunity fell away because the University had threatened to enforce its hGH patent and thereby consented to a complete adjudication of the entire controversy, including state law claims in recoupment. A-22. Therefore, under the Federal Circuit's reasoning, any decision by a State to enforce its federal patent rights will entail an automatic and compulsory waiver of *Pennhurst* immunity. However, the State's consent is only to an adjudication of the federal law placed at issue by the State's federal patent rights.

The consequences for the States will be severe if the court of appeals' decision is allowed to stand. A Federal Circuit opinion, of course, is nationwide in its scope and binding precedent in the patent area. The exception to *Pennhurst* carved out by the court of appeals will affect a vast number of cases. For example, the University owns over one-thousand patents. The Universities of Illinois and Michigan each own approximately two-hundred patents, and the University of Texas owns over four-hundred. These numbers can only be expected to grow at major state research universities.

The States are increasingly involved in securing and enforcing valuable patent rights in areas such as biotechnology, chemistry and the physical sciences. At a time when the States are under increasing budgetary restraints, these rights are important. The States' venture into this exclusively federally regulated field should not result in a constructive waiver of the States' constitutional right as sovereigns to be sued on state law theories in their own courts. As the Court held in a landmark Eleventh Amendment case, *Edelman v. Jordan*, 415 U.S. 651, 673 (1974), "Constructive consent is not a doctrine commonly associated with the surrender of constitutional rights, and we see no place for it here."

The Federal Circuit's opinion requires the States to forgo enforcement of their patent rights unless the States agree to surrender an established constitutional protection. Coerced waivers of constitutional rights are not favored in the law. *E.g., Johnson v. Zerbst,* 304 U.S. 458, 464 (1938); *Garrity v. New Jersey,* 385 U.S. 493, 500 (1967).

The appellate court's opinion forces the States to surrender a substantial right. The Constitution establishes a system of dual sovereignty between the States and the Federal Government. *Gregory v. Ashcroft*, 501 U.S. ____, 111 S. Ct. 2395, 2399 (1991). Thus, the "States occupy a special and specific position in our constitutional system." *Atascadero State Hospital v. Scanlon*, 473 U.S. 234, 242 (1985) (citation omitted). The Eleventh Amendment is based in large part on "the problems of federalism inherent in making one sovereign appear against its will in the courts of the other." *Pennhurst*, 465 U.S. at 116-117 (citation omitted). The Federal Circuit failed to respect the principles underlying *Pennhurst* by allowing Genentech to counter-sue the University in federal court on state law theories.

This Court has never addressed the impact of *Pennhurst* on the scope of permissible counterclaims against a State when the State is required to enforce its federal rights in federal court. The lower courts have routinely permitted state law counterclaims against a State without addressing *Pennhurst*. *E.g.*, A-24 (citing district court cases). The principles which underlie *Pennhurst* will continue to be ignored unless the Court hears this case and resolves this important issue.

The Federal Circuit was not correct when it stated that "[t]he affront to principles of federalism addressed in *Pennhurst* is not present here." A-23. In *Pennhurst*, the Court determined that principles of federalism prevented the judge-made doctrine of pendent jurisdiction from overriding the constitutional immunity of the States. 465 U.S. at 120. The States are entitled to limit their amenability to suit on state law claims to state court in order to avoid a federal intrusion into the sovereignty of the States. 465 U.S. at 106, 116-117.

> [I]t is difficult to think of a greater intrusion on state sovereignty than when a federal court instructs state officials on how to conform their conduct to state law.

Pennhurst, 465 U.S. at 106.

The intrusion on the States identified in *Pennhurst* will be the same under the Federal Circuit's opinion. Here, Genentech has chosen a variety of contract, fraud and unfair competition theories

to attack the State's management of its patent licensing program. For example, Genentech seeks a federal court declaration that the State's grant of an exclusive license to Lilly constituted an unfair, oppressive, and fraudulent business practice under California Business and Professions Code Section 17200.[4]

The Federal Circuit cited *Clark v. Barnard*, 108 U.S. 436 (1883), to derive the asserted waiver by the University of *Pennhurst* immunity. In *Clark*, a State appeared in federal court to claim that it was entitled to a fund deposited into that court. Other parties also claimed a right to the fund. As the Court stated, "the proceeding became one in the nature of an interpleader, in which it became necessary to adjudicate the adverse rights of the State and the appellees to the fund, to which both claimed title." 108 U.S. at 448. *Clark* and *Pennhurst* do not support the result reached here because the only issues "necessary to adjudicate" are the federal questions presented by the University's patent rights, not state law counterclaims.

The waiver to counterclaims that arises from a State's filing of a federal claim (the University brought no state law claims) in federal court due to exclusive federal jurisdiction should be limited to the federal claim that the State is forced to litigate in that forum and the federal defenses to enforcement of that claim, with state law claims restricted to the courts of that State. Principles of federalism require a reluctance to expand the waiver beyond that point. *See Pennhurst*, 465 U.S. at 99; *Atascadero State Hospital v. Scanlon*, 473 U.S. 234, 239-240 (1985).

The usual reason for permitting suits against a State in federal court, which is encompassed within *Ex parte Young*, 209 U.S. 123 (1908), is absent. Under *Young*, the justification for the

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[4] Genentech cannot sidestep the Eleventh Amendment by also employing common law theories. *Pennhurst*, 465 U.S. at 110-114 (rejecting theory that allegation the State officials' acts were tortious was sufficient to eliminate Eleventh Amendment immunity), citing *Larson v. Domestic & Foreign Commerce Corporation*, 337 U.S. 682 (1949). Any rule to the contrary would eliminate sovereign immunity. *Pennhurst*, 465 U.S. at 112 (avoiding immunity merely by alleging a tort "would make the doctrine of sovereign immunity superfluous").

intrusion on state sovereignty is the necessity of vindicating federal rights and holding state authorities responsible to the authority of the United States under the Supremacy Clause. *Pennhurst*, 465 U.S. at 105; *Green v. Mansour*, 474 U.S. 64, 68 (1985); *Papasan v. Allain*, 478 U.S. 265, 277 (1986). No such necessity exists with respect to state law counterclaims. *Papasan*, 478 U.S. at 277 ("federal supremacy is not implicated because the state official is acting contrary to state law only"); *Pennhurst*, 465 U.S. at 106 (an allegation that a state official has violated state law "does not vindicate the supreme authority of federal law").

There is no need to provide a federal forum for an accused infringer's state law claims. A state court forum exists for any valid state law claims that an accused infringer may have, be they characterized as defenses or compulsory counterclaims. For example, Genentech could sue in California Superior Court on its theory that Genentech is the third-party beneficiary of a contract between the University and Lilly and seek an adjudication that it is entitled to infringe the University's hGH patent.[5] The resulting bifurcation between the state and federal courts is mandated by the Eleventh Amendment. *Pennhurst*, 465 U.S. at 121-123. Nor can ancillary jurisdiction under the compulsory counterclaim rules of Fed.R.Civ.P. 13(a) override the States' constitutional immunity. *See County of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 251 (1985).

Litigation of state law claims in federal court will also invite private parties to use the federal court judgment as collateral estoppel to attempt to secure a damage award against the State in a subsequent state court suit. This type of attempted "end run" around the Eleventh Amendment is forbidden by *Green v. Mansour*, 474 U.S. at 73.

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[5] Such contract claims do not present federal questions. *E.g., Beghin-Say International Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570-71 (Fed. Cir. 1984) ("That the involved contracts may or may not constitute agreements to assign future patent applications does not convert a contract dispute cognizable in state courts to a federal question appropriate for determination in a federal court." [Citations omitted]).

II.

The Federal Circuit's opinion expanded the abrogation contained in the Act to include declaratory judgments attacking a patent owned by a State when the plain meaning of the Act does not require that result and Congress never contemplated including such cases within the scope of the intended abrogation. This is a matter of great concern to the States because the intellectual property area is burgeoning. Due to the exclusive jurisdiction of the Federal Circuit over patent appeals, patent ownership will now expose the States to federal declaratory judgment cases attacking the States' patents throughout the country. Without a clear statement by Congress that it intended that result, the States should not be required to take on that burden.

The Act added Subsection (h) to Section 271 of Title 35, which concerns patent infringement, in order to abrogate Eleventh Amendment immunity. A-44. A new Section 296 was added to Title 35. It is entitled "Liability of States, instrumentalities of States, and State officials for infringement of patents." New Section 296(a) of Title 35 states that the Act eliminates the States' constitutional immunity "for infringement of a patent under Section 271, or for any other violation under this title." A-44.

The requirements for abrogation are rigorous:

> [W]e will conclude Congress intended to abrogate sovereign immunity only if its intention is 'unmistakably clear in the language of the statute.' *Atascadero*, [473 U.S. 234] at 242. Lest *Atascadero* be thought to contain any ambiguity, we reaffirm today that in this area of the law, evidence of congressional intent must be both unequivocal and textual.

Dellmuth v. Muth, 491 U.S. 223, 230 (1989).

Congress' concern in passing the Act was patent infringement by States, not the challenging of patents owned by States. This is revealed by a number of things. The stated purpose of the Act was "to clarify that States . . . are subject to suit in Federal court by any person for infringement of patents. . . ." S. 758, 102d Cong.,

2d Sess. (1992). The Senate Report of the bill was to the same effect:

> The purpose of S. 758 is to clarify Congress' intent that States and State entities are not immune from infringement suits under the Patent Code and the Plant Variety Protection Act.

S. Rep. 280, 102d Cong., 2d Sess. 1 (1992) ("*Senate Report*"). The legislative history speaks of protecting inventors in order to avoid discouraging them "from investing time and money in developing new products and processes." 138 Cong. Rec. H11131 (daily ed. Oct. 3, 1992) (statement of Rep. Hughes); 137 Cong. Rec. S4046 (daily ed. March 21, 1991) (statement of Sen. DeConcini) ("the Patent Code must effectively protect the constitutionally enshrined incentive to invent"); *Senate Report* at 8 (the Act is "to protect patent holders, having the effect of promoting future innovation").

Nowhere in the legislative history is there any mention of exposing the States to a declaratory judgment action which seeks to invalidate a patent owned by a State, which is the type of action Genentech brought against the University here. A declaratory judgment suit attacking a State's patent seeks to strip a patent holder of his property or the right to enforce it. It does not fall within the scope of Congress' intent to protect patentees.[6]

The language of the Act conforms to the intent demonstrated by the legislative history. The Act amends the code section for patent infringement, 28 U.S.C. § 271, to make abrogation for infringement explicit. New Section 296's title also only mentions infringement. *See Immigration and Naturalization Service v. Nat'l Center for Immigrants' Rights*, ___ U.S. ___, 112 S. Ct.

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[6] Congress expressly sought to overrule two Federal Circuit opinions that held the States immune from suits for patent infringement, be they for damages or declaratory relief, *Chew v. State of California*, 893 F.2d 331 (Fed. Cir.), *cert. denied*, 498 U.S. 810 (1990); *Jacobs Wind Electric Co. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed. Cir. 1990). *See* 137 Cong. Rec. S4046 (daily ed. March 21, 1991) (statement of Sen. DeConcini); *Senate Report* at 5-6.

551, 556 (1991) ("the title of a statute or section can aid in resolving an ambiguity in the legislation's text." [Citations omitted]).

The final phrase of Section 296(a), "any other violation under this title," constituted the basis for the Federal Circuit's holding that a private person could attack a State's patent through the device of a declaratory judgment action. The Federal Circuit stated that the phrase made it unnecessary to interpret the statute by reference to the legislative history and heading of the new code section. A-14-16.[7] It found that the phrase "any other violation under this title" plainly included declaratory judgment actions attacking a State's patent, and so the court invoked the plain meaning rule.

The court of appeals said that imperfections in a patent constituted violations of Title 35, "[a]lthough claims of patent invalidity are not actionable absent an actual controversy. . . ." A-18 (citation omitted); *accord Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479 (Fed. Cir. 1991) ("The acts of obtaining an invalid patent alone create no legal right to a remedy in another"). Thus, something that is not actionable was plainly a "violation," in the court of appeals' view. However, patent invalidity, unenforceability and noninfringement are defenses, not violations. *Motorola, Inc. v. United States*, 729 F.2d 765, 770 (Fed. Cir. 1984) (35 U.S.C. § 282 concerns defenses); *Cornwall v. U.S. Constr. Mfg. Inc.*, 800 F.2d 250, 252 (Fed. Cir. 1986); ("invalidity is an affirmative defense"); *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 668 (Fed. Cir. 1986) (patent misuse "as a defense to a charge of patent infringement"); *Mumm v. Jacob E. Decker & Sons*, 301 U.S. 168, 171 (1937) (prior publication or prior use as affirmative defenses).

It is not "unmistakably clear in the language of the statute," *Atascadero*, 473 U.S. at 242, that the phrase "any other violation

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[7] The Federal Circuit purported to find legislative history that extended the Act into declaratory judgment suits attacking a State's patent, A-15-16, but the citations it used dealt with infringement. *E.g.*, Cong. Rec. S4046 (daily ed. March 21, 1991) (statement of Sen. DeConcini); 35 U.S.C. § 271(h); *Senate Report* at 11.

under this title" includes defenses which are not actionable unless a case or controversy exists. Certainly there is room to doubt that Congress intended such abrogation. *Dellmuth*, 491 U.S. at 231 (abrogation requires "perfect confidence that Congress in fact intended . . . to abrogate sovereign immunity, and imperfect confidence will not suffice given the special constitutional concerns in this area."[Citation omitted]). The Eleventh Amendment required a narrow view of the term "violation" to limit it to acts that deprive a patentee of the benefit of patent ownership.[8]

III.

The rule requiring express and unequivocal statutory language to abrogate a State's Eleventh Amendment immunity should be applied to statutes setting forth the retroactivity, or lack thereof, of abrogating legislation. There is an "apparent tension" in the Court's opinions on whether a new enactment is presumptively retroactive. *Kaiser Aluminum & Chemical Corp. v. Bonjorno*, 494 U.S. 827, 836-837 (1990) (contrasting *Bradley v. Richmond School Board*, 416 U.S. 696, 715 (1974), with *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208 (1988)). In

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[8] The University's filing of a counterclaim in the Indiana district court on remand as required by the Federal Circuit's decision does not waive the University's right to challenge the appellate court's rulings on the Act in this Court despite *Clark v. Barnard*, 108 U.S. at 445-446. In *Clark*, the Court held that a State's claim to the funds in controversy made it unnecessary to review whether the State's prior demurrer, based on the Eleventh Amendment, had been properly overruled. The *Clark* opinion, however, is from the era of special and general appearances and predates the Federal Rules of Civil Procedure. The current rule is that the filing of a compulsory counterclaim, which UC's infringement claim against Genentech is, does not waive any jurisdictional defenses. *E.g., Chase v. Pan-Pacific Broadcasting, Inc.*, 750 F.2d 131 (D.C. Cir. 1984) (Ginsberg, J.); 5A Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1397 at 790-792 (1990); 2A James W. Moore, et al., *Moore's Federal Practice* ¶ 12.12 at 12-122 n. 6, 12-125 n. 16 (1993). This modern rule should have particular force with regard to the Eleventh Amendment, which "partakes of the nature of a jurisdictional bar . . . " *Edelman*, 415 U.S. at 678.

Eleventh Amendment cases, a statute should not have retroactive effect unless there is a clear statutory mandate to that effect as required by *Atascadero*, 473 U.S. at 242. There is authority supporting that position outside of the Eleventh Amendment area. *See Bonjorno*, 494 U.S. at 843-844 (Scalia, J., concurring), citing, *inter alia, White v. United States*, 191 U.S. 545, 552 (1903); *United States Fidelity & Guaranty Co. v. United States ex rel. Struther Wells Co.*, 209 U.S. 306, 314 (1908). This specific issue has not been addressed by the Court in the Eleventh Amendment context, but deserves immediate attention in light of this and other abrogating legislation now being implemented by Congress in response to *Atascadero*.

Here, the Federal Circuit held that the following section of the Act permitted reinstatement of a suit filed in 1990:

> Sec. 4. Effective Date
>
> The amendments made by this Act shall take effect with respect to violations that occur on or after the date of the enactment of this Act. A-47.

The Act was enacted on October 28, 1992.[9] Genentech filed this suit over two years earlier. Nonetheless, the court of appeals found that the Act applied because (1) violations of patent rights are continuing events, and so Genentech could simply refile the same case; (2) The Act "provides in effect that there shall be no recovery for violations that occurred before October 28, 1992" (A-19), and Genentech is not seeking damages in the declaratory judgment count; and (3) new legislation presumptively should be applied to a pending case. A-19.

The court of appeals gave the Act retroactive application. When this suit was filed, the States were immune from patent litigation. *Chew v. State of California*, 893 F.2d 331 (Fed. Cir.), *cert. denied*, 498 U.S. 810 (1990); *Jacobs Wind Electric Co. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed. Cir. 1990).

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[9] A statute's limitation on its retroactive application should be controlling. *Bradley*, 416 U.S. at 711 (retroactivity forbidden when "there is statutory direction or legislative history to the contrary").

The Federal Circuit's apparent view that it was not applying the Act retroactively is erroneous. Retroactivity cannot be avoided, as the Federal Circuit attempted to do here, by saying that it would be "wasteful" to dismiss the case because Genentech could simply refile a new case in 1993. Were Genentech to do that, the Federal Circuit's own preference for the first-filed action, announced elsewhere in the opinion (A-6), would require dismissal of the new suit in favor of the University's infringement action filed in 1990. The Federal Circuit, therefore, was reinstating a case filed in 1990 when the University was constitutionally immune to such litigation. The Federal Circuit also rewrote the Act to provide that it prohibited only the recovery of damages for acts before October 28, 1992. A-19. The Act, however, deals with "violation[s]," and is not limited to damages. Equitable relief against a State is forbidden by the Eleventh Amendment, *Pennhurst*, 465 U.S. at 100-101, even assuming that the University violated Title 35 in 1990.

The court of appeals' employment of a presumption in favor of the application of the Act to this suit is contrary to the rule that disfavors abrogation because it "upsets the fundamental constitutional balance between the Federal Government and the States." *Dellmuth*, 491 U.S. at 227 (internal quotation marks and citation omitted). This case provides an opportunity to clarify that the *Atascadero* test applies to retroactivity provisions as well as all other aspects of abrogation.

The Court's decision would be of guidance in a wide variety of abrogating legislation. For example, similar or identical language to that contained in the Act is contained in other laws which abrogate the States' sovereign immunity to suit in federal court. Copyright Remedy Clarification Act, 104 Stat. 2750, 2750 (1990) (same language); Trademark Remedy Clarification Act, 106 Stat. 3567, 3568 (1992) (same language). The Federal Circuit's rule permitting equitable relief before the effective date of the abrogating legislation constitutes a dangerous precedent that is inconsistent with the constitutional rules of construction mandated by *Atascadero*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDICES

United States Court of Appeals for the Federal Circuit

91-1249

GENENTECH, INC.,
Plaintiff-Appellant,

v.

ELI LILLY AND COMPANY,
Defendant,

and

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Defendant-Appellee.

DECIDED: July 1, 1993

Before NEWMAN, *Circuit Judge*, SKELTON, *Senior Circuit Judge*, and LOURIE, *Circuit Judge*.

NEWMAN, *Circuit Judge*.

Genentech, Inc. appeals the judgment of the United States District Court for the Southern District of Indiana[1] dismissing, as to Regents of The University of California ("the University"), the declaratory judgment action brought by Genentech against the University and Eli Lilly and Company ("Lilly"). We affirm in part, vacate in part and remand for further proceedings.

This is one of several lawsuits filed in the federal courts of Indiana and California involving these parties,[2] relating to recombinant DNA technology as used for the production of human-growth hormone ("hGH"), a product having medicinal and therapeutic properties. The patent here involved is United States Patent No. 4,363,877 entitled "Recombinant DNA Transfer Vectors", granted December 14, 1982, inventors Howard M.

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[1] *Genentech, Inc. v. Eli Lilly & Co.*, No. IP 90-1679-C (S.D. Ind. Mar. 7, 1991).

[2] Pending litigation, summarized in *In re Regents of the University of California*, 964 F.2d 1128, 1130-31, 22 USPQ2d 1748, 1750-51 (Fed. Cir. 1992), included five lawsuits.

Goodman, John Shine, and Peter H. Seeburg ("the '877 patent"). The patent is owned by the University.

The legal issues raised in this declaratory action relate to the infringement, validity, and enforceability of the '877 patent, and include charges by Genentech of violation of federal antitrust laws and state tort and contract laws based on certain patent licensing arrangements between the University and Lilly. The activities of the University are relevant to a threshold question in this appeal: whether the University, viewed as an arm of the state, is entitled, as to some or all of the charges made by Genentech, to Eleventh Amendment immunity under the Constitution of the United States or to State Action immunity. The University's activities are also relevant to another threshold question: whether the district court properly exercised its discretion in dismissing this declaratory judgment action as to the University.

The district court decided these questions under Federal Rules of Civil Procedure 12(b)(l) (lack of jurisdiction over the subject matter) and 12(b)(6) (failure to state a claim upon which relief can be granted), on motions made by the University following the filing of Genentech's complaint. Therefore the Premises and allegations of Genentech's complaint are accepted as true for the purpose of deciding these threshold questions.

Genentech filed this declaratory action against Lilly and the University in the Southern District of Indiana, requesting judicial declaration that the '877 patent is invalid and not infringed. Genentech also sought declaration that the '877 patent is unenforceable for inequitable conduct, Genentech alleging that a Certificate of Correction was obtained through false or misleading representations by the University to the Patent and Trademark Office. Genentech also alleged that a waiver from the Department of Health, Education & Welfare (herein "HEW", now the Department of Health and Human Services), that permitted the University to grant an exclusive license to Lilly, was obtained through false representations to HEW and omissions of fact. Genentech also asserted that certain contractual obligations estopped the University from enforcing the '877 patent against Genentech. In addition, Genentech raised antitrust and patent

misuse counts and state law tort counts as grounds of patent invalidity, unenforceability, and other relief.

The day after Genentech filed this declaratory action the University filed a patent infringement suit against Genentech in the United states District Court for the Northern District of California. The University then moved in the Indiana district court to dismiss this declaratory action as to the University. The Indiana court granted the motion on the ground that the suit was barred by the University's immunity and, alternatively, on exercise of the court's discretion to decline to entertain this declaratory action. The suit as to Lilly was not dismissed.

As we shall discuss in Part I, the district court erred in declining to hear this action against the University under the Declaratory Judgment Act. As we shall discuss in Part II, the University is not immune from suit as to the patent counts and certain other counts of the complaint. Thus, the suit was improperly dismissed under Rules 12 (b)(1) and 12(b)(6).

I

THE DECLARATORY ACTION

We review first the dismissal under the Declaratory Judgment Act, for if that ruling is sustainable the questions of constitutional and State Action immunity need not be addressed.

The Declaratory Judgment Act provides:

> 28 U.S.C. § 2201. In a case of actual controversy within its jurisdiction, except with respect to Federal taxes . . . , any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

The use of the word "may" in § 2201 has been interpreted as meaning both that the court is authorized to declare legal rights and relations, and that in appropriate circumstances the court

may decline to do so. *E.g., Minnesota Mining and Mfg. Co. v. Norton Co.*, 929 F.2d 670, 672, 18 USPQ2d 1302, 1304 (Fed. Cir. 1991). However, the declaratory action is not a permissive action that may be heard or dismissed in absolute judicial discretion. *See* 10A Charles A. Wright *et al.*, *Federal Practice and Procedure* § 2759, at 655-56 (2d ed. 1983 & Supp. 1992) ("The discretion of the trial court is not absolute and the court cannot refuse to entertain a declaratory judgment action on a whim"); Edwin Borchard, *Declaratory Judgments*, 293-94 (2d ed. 1941) (although the court is granted discretion, it is "a judicial discretion, hardened by experience into rule, and its exercise is subject to appellate review"). The exercise of discretion in a declaratory judgment must have a basis in sound reason. *Samuel Goldwyn, Inc. v. United Artists Corp.*, 113 F.2d 703, 709 (3d Cir. 1940).

An abuse of discretion may occur when the trial court's decision was based on an incorrect conclusion of law or clearly erroneous findings of fact, was devoid of any evidence in the record upon which the court rationally could have based its decision, or was clearly unreasonable or arbitrary. *Minnesota Mining*, 929 F.2d at 672-73, 18 USPQ2d at 1304-05. *See also Charter Financial Sav. Bank v. Office of Thrift Supervision*, 976 F.2d 203, 208 n.8 (4th Cir. 1992) (noting that most circuits give plenary review to the question of exercise of jurisdiction in a declaratory action); 6A James W. Moore *et al., Moore's Federal Practice* ¶ 57.08[2] at 57-36 (2d ed. 1993) ("The determination of the trial court may, therefore, be reversed where, though not arbitrary or capricious, it was nevertheless erroneous"). Indeed, the district court in this case, although it declined to entertain the declaratory action, did not do so arbitrarily. However, we conclude that it did so incorrectly.

A

The Case of Actual Controversy

To meet the requirements of the Declaratory Judgment Act there must be a "case of actual controversy", as the Constitution requires for any invocation of federal judicial authority. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-40 (1937). The case

must be "of sufficient immediacy and reality" to warrant declaratory relief. *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

Determination of whether there is an actual controversy in patent actions generally entails the two part inquiry of (1) whether the declaratory plaintiff has acted in a way that the patentee asserts infringes the patent, or is preparing to act in such a way; and (2) whether the patentee has created, in the declaratory plaintiff, a reasonable apprehension of suit for infringement. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*,846 F.2d 731, 735-36, 6 USPQ2d 1685, 1688-89 (Fed. Cir. 1988). When the patentee has explicitly charged that a current activity of the declaratory plaintiff is an infringement, "certainty has rendered apprehension irrelevant, and one need say no more." *Id.* at 736, 6 USPQ2d at 1689.

The University does not dispute that it charged Genentech with infringement of the '877 patent. Thus the case of actual controversy requirement was met.

B

The Tempco Electric Case

When there is an actual controversy and a declaratory judgment would settle the legal relations in dispute and afford relief from uncertainty or insecurity, in the usual circumstance the declaratory action is not subject to dismissal. *See* Borchard, *supra*, at 299 (discussing criteria guiding policy in favor of rendering declaratory judgments). In this case the district court based its dismissal as to the University on the subsequent filing of a patent infringement suit by the University. The district court relied on *Tempco Electric Heater Corp. v. Omega Engineering, Inc.*, 819 F.2d 746, 2 USPQ2d 1930 (7th Cir. 1987), which held that an action for declaration of noninfringement of a trademark should give way to a later-filed suit for trademark infringement. The court in *Tempco Electric*, dismissing the declaratory action, reasoned that the action served no useful purpose because the declaratory defendant soon thereafter filed a trademark infringement suit.

The question of whether a properly brought declaratory action to determine patent rights should yield to a later-filed suit for patent infringement raises the issue of national uniformity in patent cases, and invokes the special obligation of the Federal Circuit to avoid creating opportunities for dispositive differences among the regional circuits. Thus, although the Federal Circuit applies the procedural law of the regional circuit in matters that are not unique to patent law, *Allen Organ Co. v. Kimball Int'l. Inc.*, 839 F.2d 1556, 1563, 5 USPQ2d 1769, 1774 (Fed. Cir.) *cert. denied*, 488 U.S. 850 (1988), and although matters of procedure do not always carry substantive weight, the regional circuit practice need not control when the question is important to national uniformity in patent practice. We incidentally take note that the rule of *Tempco Electric* is not followed for trademark cases in all circuits.

We decline to apply *Tempco Electric* to patent cases. Such a rule would automatically grant the patentee the choice of forum whether the patentee had sought — or sought to avoid — judicial resolution of the controversy. This shift of relationship between litigants is contrary to the purpose of the Declaratory Judgment Act to enable a person caught in controversy to obtain resolution of the dispute, instead of being forced to await the initiative of the antagonist. *See* Borchard, *supra* at 803-O4; 6A Moore *et al. supra* ¶ 57. 08[2] (discretion to render declaratory judgments should be exercised to effectuate the purposes of the Declaratory Judgment Act).

We prefer to apply in patent cases the general rule whereby the forum of the first-filed case is favored, unless consideration of judicial and litigant economy, and the just and effective disposition of disputes, require otherwise.

C

The General Rule

The general rule favors the forum of the first-filed action whether or not it is a declaratory action. *See* Borchard, *supra* at 818-20. Exceptions, however, are not rare, and are made where justice or expediency requires, as in any issue of choice of forum

See Kahn v. General Motors Corp., 889 F.2d 1078, 1081-83, 12 USPQ2d 1997, 1999-2001 (Fed. Cir. 1989) (discussing the general rule, the "customer suit" exception, and other factors that overcome "the presumptive right of the first litigant to choose the forum").

The general rule as applied to patent cases was discussed in *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180, 92 USPQ 1 (1952). "If [the alleged infringer] is forehanded, subsequent suits against him by the patentee can within the trial court's discretion be enjoined pending determination of the declaratory judgment suit . . . ." *Id.* at 185, 92 USPQ at 3. As the Court recognized, the trial court's discretion tempers the preference for the first-filed suit, when such preference should yield to the forum in which all interests are best served. *Id.* at 184, 92 USPQ at 2. There must, however, be sound reason that would make it unjust or inefficient to continue the firstfiled action. Such reason may be the convenience and availability of witnesses, or absence of jurisdiction over all necessary or desirable parties, or the possibility of consolidation with related litigation, or considerations relating to the real party in interest. *Kahn*, 889 F.2d at 1081-83, 12 USPQ2d at 1999-2001.[3] The Court cautioned against "rigid mechanical solution[s]" to questions of forum, stressing the importance of conservation of judicial resources and the comprehensive disposition of litigation. *Kerotest*, 342 U.S. at 183, 92 USPQ at 2.

The considerations affecting transfer to or dismissal in favor of another forum do not change simply because the first-filed action is a declaratory action. When the declaratory action can resolve the various legal relations in dispute and afford relief from the controversy that gave rise to the proceeding, and absent sound reason for a change of forum, a first-filed declaratory action is

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[3] Although there are other reasons, equitable and legal in nature, why a declaratory judgment action may not be entertained in the court's sound discretion, *see, e.g., Steffel v. Thompson*, 415 U.S. 452, 460-62 (1974) (when a state proceeding is pending, considerations of equity, comity and federalism may counsel against exercise of federal jurisdiction), none is here raised.

entitled to precedence as against a later-filed patent infringement action. In this case, the district court's dismissal of the University from the action in Indiana due to the filing of a subsequent suit by the University in California, while retaining the action in Indiana against Lilly, has led to a redundancy of litigation on some of the issues involving these three parties. The purpose of "prevent[ing] multiplicity of actions and to achieve resolution in a single lawsuit of all disputes arising out of common matters", *Southern Construction Co. v. Pickard*, 371 U.S. 57, 60 (1962), is as valid for declaratory action as any other. The Court remarked that the compulsory counterclaim rule is particularly directed against the failure of a party to assert a counterclaim in one action, followed by the institution of a second action wherein the counterclaim is the basis of the complaint. *Id.; see also* Fed. R. Civ. P. 13(a) (all issues between the parties arising from the same transaction or occurrence are required to be raised in the same suit). This is the pattern that here occurred.

The only stated reason for the district court's discretionary dismissal of the University from Genentech's declaratory action against the University and Lilly was that the University subsequently brought suit against Genentech elsewhere. That reason, as we have discussed, is insufficient to warrant refusal to entertain the action. We are not unmindful that this declaratory action was filed in Indiana only one day before the California infringement action. However, the rule favoring the right of the first litigant to choose the forum, absent countervailing interests of justice or convenience, is supported by "[reasons] just as valid when applied to the situation where one suit precedes the other by a day as they are in a case where a year intervenes between the suits." *Martin v. Graybar Elec. Co.*, 266 F.2d 202, 205 (7th Cir. 1959) (quoting *Crosley Corp. v. Westinghouse Elec. & Mfg. Co.*, 130 F.2d 474, 475 (3d Cir. 1942)).

The University points out that first-filed suits have some-times been dismissed when forum shopping was the only motive for the filing. That exception was recognized in *Kahn*, 889 F.2d at 1081, 12 USPQ2d at 1999. In this case, however, there were sound reasons presented for Genentech's choice of the Indiana forum, for in its suit Genentech joined Lilly, an Indiana company, and

sought consolidation with suits already pending in Indiana. We do take note that the Judicial Panel on Multidistrict Litigation has determined that there is considerable overlap among this declaratory action in Indiana, the action filed in California by the University, and three other actions involving various combinations of these parties in Indiana and California district courts. The Multidistrict Panel, hearing the arguments of all three parties on the choice of forum, ordered consolidation of these five actions for purposes of discovery and assigned coordination to the Indiana district court. That order was affirmed in *In re Regents of the University of California*, 964 F.2d 1128, 22 USPQ2d 1748 (Fed. Cir. 1992). Although both sides now argue the merits of the Indiana versus the California forums, resolution of that question is not before us. Upon completion of the consolidated discovery, consideration should be given to further avoidance of duplicative litigation.

Conclusion

We conclude that it was incorrect to apply the *Tempco Electric* rationale to patent actions. Absent sound reason presented for dismissal of the University from the Indiana action in favor of a later-filed suit in California, dismissal as to the University was improper on discretionary grounds.

We thus reach the alternate grounds of dismissal, based on the Eleventh Amendment and the doctrine of State Action immunity.

II

STATE IMMUNITY FROM SUIT

The University is a public corporation of the State of California. The California Constitution established the University as "a branch of the state government equal and coordinate with the legislature, the judiciary, and the executive." 30 Ops. Cal. Atty. Gen. 162, 166 (1957). *See BV Engineering v. University of California*, 858 F.2d 1394,1395, 8 USPQ2d 1421, 1422 (9th Cir. 1988), *cert. denied*, 489 U.S. 1090 (1989) (describing the University of California and the Board of Regents as instrumentalities of the state).

The district court treated the University as an arm of the state, with the same immunity as one of the United States. Although Genentech states that it does not concede this point, it was not placed at issue and for the purposes of this appeal the University position is accepted.

A

The Constitutional Plan

The district court held that this suit against the University is prohibited by the Eleventh Amendment to the Constitution:

> The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

U.S. Const. amend. XI. Genentech argues that the Eleventh Amendment does not bar this action.

State immunity from suit in federal court is founded upon the fundamental relationship and constitutional balance between the federal government and the states. *Pennhurst State School & Hosp. v. Halderman*, 465 U.S. 89, 98-99 (1984). In general, without the state's consent a federal court is without power to entertain a suit by a private person against the state. *Employees of Dep't of Public Health & Welfare v. Department of Public Health & Welfare*, 411 U.S. 279, 284 (1973) (discussing the federal/state relationship). As it was explained in The Federalist No. 81, at 487-88 (Alexander Hamilton) (Clinton Rossiter ed., 1961): "It is inherent in the nature of sovereignty not to be amenable to the suit of an individual *without its consent*.... Unless, therefore, there is a surrender of this immunity in the plan of the convention, it will remain with the States...." (Emphasis in original.)

There are qualifications to the reach of the Eleventh Amendment, again in implementation of the constitutional plan. Thus Congress has legislatively abrogated state immunity in specific circumstances, based variously on the enforcement provision of

§ 5 of the Fourteenth Amendment (granting Congress authority to enforce "by appropriate legislation" the provisions of the Fourteenth Amendment) *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) (statute abrogated state immunity from suit for employment discrimination); *Hutto v. Finney*, 437 U.S. 678, 693-94 (1978) (statute abrogated state immunity from award of attorney's fees), or on the authority of the Commerce Clause, wherein the states are deemed to have consented to suit on congressionally created causes of action against a state, *Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 19-23 (1989) (plurality). Such abrogation of immunity must be explicit and unambiguous, and must show clearly that Congress intended to subject the states to suit in federal court. *Atascadero State Hosp. v Scanlon*, 473 U.S. 234, 240 (1985) *Union Gas*, 491 U.S. at 7-13.

A state may waive its immunity, in its entirety or as to any specified agency, action, or event. "[T]he Court consistently has held that a State may consent to suit against it in federal court." *Pennhurst*, 465 U.S. at 99. "The immunity from suit belonging to a State, which is respected and protected by the Constitution . . . is a personal privilege which it may waive at pleasure[.]" *Clark v. Barnard*, 108 U.S. 436, 447 (1883). Waiver by a state can be effected by state statute or state constitution or by clear state conduct. A state statute may be construed to waive Eleventh Amendment immunity. *Port Authority Trans-Hudson Corp. v Feeney*, 495 U.S. 299 (1990) (reference in state statute to "judicial district, established . . . by the United States" shows intent to include suit in federal court in statutory waiver). A state may by its actions be deemed to have waived its immunity as to a specific cause. *Clark v. Barnard*, 108 U.S. at 436 (state's filing of a claim in federal court waived Eleventh Amendment immunity as to the subject matter of that claim). The Court in *Atascadero State Hospital*, stressing the need for specificity in waiver by the state, held that Article III, Section § 5 of the California Constitution, which provides that "[s]uits may be brought against the State in such manner and in such courts as shall be directed by law", is not a general waiver of immunity in federal court. 473 U.S. at 241.

The California Constitution also contains a specific waiver of immunity for the University. Through its Regents the University is "vested with the legal title and the management and disposition of the property of the university", and is granted "all the powers necessary or convenient for the effective administration of its trust, including the power to sue and to be sued". Cal. Const. art. IX, § 9(f). However, an authorization to an arm of the state to sue and be sued is not presumed to include suit in federal court. *Great Northern Life Ins. Co. v. Read,* 322 U.S. 47, 54 (1944); *Atascadero State Hosp.*, 473 U.S. at 241.

In addition to abrogation and state waiver of immunity, state officials may be sued as individuals in certain circumstances. *Ex Parte Young,* 209 U.S. at 123 (1908). Genentech sought to amend its complaint to include the individual Regents of the University, upon the district court's holding of Eleventh Amendment immunity. Genentech appeals from the denial of that request. We need not reach this question for, as we next discuss, the University's immunity has been abrogated as to the major issues in suit.

B

Public Law 102-560

Genentech argues that since patent rights can be enforced only in federal court, and the University has used its power to sue and be sued for the purpose of conducting and threatening patent litigation in federal court, the University has waived its immunity from suit in federal court. It has become unnecessary to decide this question broadly, for in legislation enacted October 28, 1992 Congress abrogated state immunity from suit for violation of patent law. Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992). The Patent Clause, the Commerce Clause, and § 5 of the Fourteenth Amendment were mentioned as authority for this legislation. S. Rep. No. 280, 102d Cong., 2d Sess. 7-8 (1992) ("Senate Report").

When the purpose of a federal statute is to abrogate a state's immunity from suit, that abrogation must be explicit and une-

quivocal. *Atascadero State Hosp.*, 473 U.S. at 243; *Union Gas*, 491 U.S. at 7. Thus, the following provisions were added to Title 35 of the federal code:

> 35 U.S.C. § 271(h). As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instru-mentality of a State acting in his official capacity.
>
> Any State, and any such instrumentality, officer, or employee, shall be subject to the Provisions of this title in the same manner and to the same extent as any nongovernmental entity.
>
> 35 U.S.C. § 296. Liability of States, instrumentalities of States, and State officials for infringement of patents.
>
> (a) IN GENERAL.—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capac-ity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Fed-eral court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.
>
> (b) REMEDIES.—In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such remedies include damages, interest, costs, and treble damages under section 284, attorney fees under section 285, and the additional remedy for infringement of design patents under section 289.

Pub. L. No. 102-560, §§ 2(a)(1) and 2(a)(2), 106 Stat. 4230 (1992).

The University does not seriously dispute that this enactment abrogated an area of state immunity. The University argues, however, that this enactment relates only to patent infringement by

the state; that it does not encompass declaratory actions against the state; that it does not abrogate the University's immunity from Genentech's antitrust and state law tort and contract claims; and that the enactment does not apply to the action at bar.

1. Infringement and Other Violations Under the Patent Law.

The University argues that it is incorrect to apply Public Law 102-560 to any violation under Title 35 other than patent infringement by the state. Thus the University asserts that none of the issues of Genentech's declaratory complaint is subject to suit by virtue of this enactment.

The University states that the new 35 U.S.C. § 271(h) merely addresses the definition of "whoever" for purposes of infringement actions under the existing § 271, and that the caption of 35 U.S.C. Section 296 makes clear the intended limitation of that provision to infringement by the state. The University argues that Congress did no more than overrule *Chew v. California*, 893 F.2d 331, 13 USPQ2d 1393 (Fed. Cir.), *cert. denied*, 498 U.S. 810 (1990) and *Jacobs Wind Electric Co. v. Florida Department of Transportation*, 919 F.2d 726, 16 USPQ2d 1972 (Fed. Cir. 1990), for in *Chew* and *Jacobs Wind* this court held that the Eleventh Amendment provides the states with absolute immunity from suit for patent infringement.

Genentech argues that Public Law 102-560 by its terms is not limited to infringement by the state, and that the words "or for any other violation under this title" in § 296(a) leave no doubt that the abrogation applies to all violations under Title 35 by the state. Genentech points to the plain language of the statute, its explicit statement of intent, and the absence of exceptions in either the statute or the legislative history.

The starting point in interpreting any act of Congress is the text of the statute itself. The words of a statute are deemed to have their plain meaning in the lexicon of the subject matter of the legislation. *United States v. Rutherford*, 442 U.S. 544, 551-52 (1979) (plain language of statute controls unless it leads to "'absurd results', or consequences obviously at variance with the policy of the enactment as a whole"). When the statutory text is clear, when the legislative intent is unmistakable, and when the

legislative intent is implemented by the statute, that ends the inquiry.

Should the statutory text be afflicted by ambiguity in meaning or in application to a particular case, the legislative history can often provide useful guidance. Only in the rare case, when "the literal application of a statute will produce a result demonstrably at odds with the intention of its drafters", should a statute be construed in departure from its plain language. *Griffin v. Oceanic Contractors. Inc.,* 458 U.S. 564, 571 (1982). This is not such a rare case.

Public Law 102-560 explicitly abrogates state immunity from suit for all violations under Title 35, unlimited to the factual situation of *Chew* and *Jacobs Wind* where the only violation was infringement by the state. A statute must be interpreted to give effect to each of its provisions. *United Staten v. Nordic Village, Inc.,* 112 S. Ct. 1011, 1015 (1992) ("settled rule that a statute must, if possible, be construed in such fashion that every word has some operative effect"); *Colautti v. Franklin,* 439 U.S. 379, 392 (1979) (it is an "elementary canon of construction that a statute should be interpreted so as not to render one part inoperative"); *United States v. Menanche,* 348 U.S. 528, 538-39 (1955) ("The cardinal principle of statutory construction is to save and not to destroy. It is our duty to give effect, if possible, to every clause and word of a statute . . . rather than to emasculate an entire section.") (Citations and quotations omitted.) Thus the words "or for any other violation under this title" can be neither judicially excised nor judicially ignored. Indeed, the legislative history shows the intent of Congress that states not be immune from the federal laws governing intellectual property. *Senate Report* at 11.

The University position is supported in the observation that the headings of 35 U.S.C. §§ 271 and 296 mention only infringement. Headings are often helpful in interpreting an ambiguous text. *Immigration and Naturalization Serv. v. National Ctr. for Immigrants' Rights,* 112 S. Ct. 551, 556 (1991). However, there is

> the wise rule that the title of a statute and the heading of a section cannot limit the plain meaning of the text. For

> interpretative purposes, they are of use only when they shed light on some ambiguous word or phrase. . . . But they cannot undo or limit that which the text makes plain.

Brotherhood of R.R. Trainmen v. Baltimore & Ohio R.R., 331 U.S. 519, 528-29 (1947) (citations omitted). The text of Public Law 102-560 is not ambiguous. The text does not contradict the section headings, although it is broader than the headings. Headings can not of themselves operate to take a significant portion of the textual subject matter out of the statute. It would be incorrect to apply these headings to nullify the clause "or for any other violation under this title."

The conclusion that Public Law 102-560 is not limited to infringement by the state is reinforced by the explicit statement, in each section of the enactment, that its purpose is to place the states in this same position as nongovernmental entities as to the patent law. 35 U.S.C. §§ 271(h), 296(a) and (b). That purpose would not be achieved by the University's interpretation, for if the states were to continue to be immune from suit for violation of all provisions of Title 35 other than infringement, the states would not be coequal with nongovernmental entities. In introducing this legislation Senator DeConcini stressed that "States continue to take advantage of the sovereign immunity loophole that remains in the Patent Code". 137 Cong. Rec. S4046 (daily ed. Mar. 21, 1991). It would be incorrect to truncate the statute which as written achieves the legislative purpose, thereby to reopen the loophole that the statute was designed to close.

We conclude that Public Law 102-560 includes, in its abrogation of state immunity, all violations under Title 35 with respect to a patent owned by the state.

2. The Declaratory Action.

The University points out that declaratory action against a state is not mentioned in Public Law 102-560, and argues that state immunity was not abrogated for suit by declaratory action. Genentech states that the University never had immunity from declaratory action when the University itself created the case of actual controversy, and in all events that since the University

violated the Patent Act by obtaining and enforcing an invalid, unenforceable, and uninfringed patent, the statutory abrogation of immunity clearly includes this declaratory action.

A declaratory action neither confers nor constrains jurisdiction or immunity. The Declaratory Judgment Act does not provide a substantive right; it provides a procedure whereby an aggrieved person may obtain a declaration of legal rights and relations. *See Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 671-72 (1950) (the declaratory judgment statute is not an independent basis for jurisdiction); *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937) (the Declaratory Judgment Act is procedural only) 6A Moore *et al.*, *supra*, ¶ 57.05 (the Declaratory Judgment Act is remedial and procedural in nature, creates no substantive rights, and neither augments nor diminishes federal jurisdiction). It is the Patent Act that states the law; the declaratory judgment procedure may be invoked when there is a controversy concerning an assertion of substantive rights under the Patent Act. To determine jurisdiction or immunity as to a particular cause of action it is necessary to look to the substantive violation and other relevant criteria, not to the procedure for obtaining relief.

An action seeking declaration of patent invalidity arises under the patent law, *C.R. Bard. Inc. v. Schwartz*, 716 F.2d 874, 879-80, 219 USPQ 197, 201-03 (Fed. Cir. 1983), as do actions seeking declaration of infringement, *see Lang v. Pacific Marine & Supply Co.*, 895 F.2d 761, 763-64, 13 USPQ2d 1820, 1821 (Fed. Cir. 1990), and declaration of noninfringement, *see Cordis Corp. v. Medtronic, Inc.*, 835 F.2d 859, 862-63, 5 USPQ2d 1118, 1120-21 (Fed. Cir. 1987). *See generally* Borchard, *supra* at 808 (declaratory actions on infringement or validity, initiated by a patentee or alleged infringer, arise under this patent law).

Title 35 contains a variety of provisions that are subject to violation. *E.g., Chemcast Corp. v. Arco Indus. Corp.*, 913 F.2d 923, 930, 16 USPQ2d 1033, 1039 (Fed. Cir. 1990) (discussing violation of requirement of Section 112 to disclose best mode); *J.A. LaPorte. Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577, 1583, 229 USPQ 435, 439 (Fed. Cir.), *cert. denied*, 479 U.S. 884 (1986) (discussing violation of § 102(b) based on on-sale activity); *Brooktree Corp. v. Advanced Micro Devices. Inc.*, 977 F.2d

1555, 1571, 24 USPQ2d 1401, 1412 (Fed. Cir. 1992) (discussing violation of utility requirement of § 101).

Although claims of patent invalidity are not actionable absent an actual controversy, *International Medical Prosthetics Research Assocs. Inc. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 576, 229 USPQ 278, 281 (Fed. Cir. 1986), in this case the actual controversy arose when the University accused Genentech of patent infringement. *Arrowhead*, 846 F.2d at 735-36, 6 USPQ2d at 1688-89; *C.R. Bard*, 716 F.2d at 881-82, 219 USPQ at 204. The issues of invalidity and noninfringement that were raised by Genentech in seeking resolution of that controversy are encompassed by the legislative abrogation of state immunity. Public Law 102-560, abrogating states' immunity from suit under the patent statute, necessarily includes permitting the states to be a defendant in a suit asserting that the patent is in violation of the law. There is no exception in Public Law 102-560 that preserves state immunity depending on the procedure by which issues are raised. Indeed, such an exception would contravene the legislative purpose of conferring equal status on states and nongovernmental entities under the patent law.

We conclude that Genentech's declaratory action against the University is within the statutory abrogation of state immunity, for the counts of the complaint that arise under the patent law.

3. The Effective Date.

The University argues that even if its immunity were abrogated by Public Law 102-560, that abrogation does not apply to this case. The Act states:

> Sec. 4. Effective Date.
>
> The amendments made by this Act shall take effect with respect to violations that occur on or after the date of the enactment of this Act.

Pub. L. No. 102-560, § 4, 106 Stat. 4230, 4232 (1992). Since the Act does not abrogate immunity for violations that occurred before October 28, 1992, the University asserts that it does not apply to cases filed before that date.

Genentech invokes the general rule that changes in law apply to cases that are pending before the courts, unless the interest of justice, or the law itself, requires otherwise. "[A] court is to apply the law in effect at the time it renders its decision, unless doing so would result in manifest injustice or there is statutory direction or legislative history to the contrary." *Bradley v. School Bd.*, 416 U.S. 696, 711 (1974); *see Andrus v. Charlestone Stone Prods. Co.*, 436 U.S. 604, 607-08 n.6 (1978) (applying statute enacted while appeal was pending). This general rule has been applied to congressional abrogations of state immunity. *E.g., Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989) (Superfund amendments, enacted while petition for certiorari pending, applied to abrogate state's Eleventh Amendment immunity); *United States v. Alabama*, 362 U.S. 602, 604 (1960) (Civil Rights Act of 1960, enacted shortly before the Supreme Court heard the case, applied to abrogate state immunity for past violations). Thus a suit that may have been subject to state immunity at the time it was filed can continue to be prosecuted when the immunity is legislatively lifted. Requiring dismissal "would be wasteful to both the parties and the courts . . . for [the case] could be at once refiled." *Sandefur v. Cherry*, 718 F.2d 682, 684-85 (5th Cir. 1983). In the absence of "manifest injustice", *Bradley*, 416 U.S. at 711, we apply Public Law 102-560 to this case.

Public Law 102-560 provides in effect that there shall be no recovery for violations that occurred before October 28, 1992. This accords with the general rule that "a retrospective operation will not be given to a statute . . . unless such be the unequivocal and inflexible import of the terms, and the manifest intention of the legislature." *Union Pac. R.R. v. Laramie Stock Yards Co.*, 231 U.S. 190, 199 (1913) (citations and quotations omitted). Since Genentech's suit is for a declaration of rights and relationships, and not for recovery of damages for past violations under Title 35, and since violations of patent rights are continuing events, it appears to be unnecessary to decide whether there was an earlier non-statutory waiver of University immunity with respect to the patent counts. We thus do not reach the question of whether the University by its conduct had waived any immunity it may have had from suit under the patent law. It is, however, necessary to consider the disposition of the antitrust and state law counts of

Genentech's declaratory complaint, for these counts are not within the statutory abrogation, and all of the counts were dismissed on the basis of state immunity.

C

The Antitrust and State Law Counts

Genentech's complaint as amended included charges that various agreements between Lilly and the University, and certain actions taken by the University at the behest of Lilly, constituted violations of sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2, as amended.[4] Genentech also charged that the University's agreements and actions violated state laws relating to unfair competition, fraud, breach of contract, breach of third party obligations, and tortious interference with contract. Genentech also claimed that its 1980 contract with the University estops the University from charging Genentech with infringement. Genentech states that these actions render the '877 patent unenforceable against it, and also serve to recoup any damages that Genentech might incur for infringement. Genentech thus argues that inclusion of the antitrust and state law counts in this litigation is necessary to avoid injustice, and to resolve all of the issues between the parties.

The district court's dismissal of these counts was grounded on the University's asserted Eleventh Amendment and State Action immunities. Review of this dismissal, which was in terms of Federal Rules 12(b)(1) and 12(b)(6), requires that the factual premises and allegations of Genentech's complaint be deemed

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[4] 15 U.S.C. § 1 (in part). Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.

15 U.S.C. § 2 (in part). Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony.

established. We outline some of the facts, undisputed for this purpose, that are relevant to the antitrust and state law counts:

Lilly provided funding for certain research at the University relating to the subject matter of the '877 patent, and had the option to acquire from the University the exclusive license to any patent that resulted from the Lilly-funded research. Certain other research was funded by HEW, and was subject to the requirement that any patent resulting from HEW-funded research would be made available to qualified applicants by non-exclusive license. The University had in 1980 entered into an agreement with Genentech that provided, *inter alia*, that the University would notify Genentech if Lilly exercised its option for an exclusive license, so that, according to Genentech, it could obtain a mandatory sublicense. Genentech states that at the behest of Lilly the University obtained, through misrepresentations and omissions of fact, a waiver of HEW's licensing requirement, and the University and Lilly then entered into an exclusive license, with payment by Lilly of a royalty to the University. Among other terms, this license provided that the University would at Lilly's request enforce the '877 patent against infringers, and that if the University did not take such requested legal action it would forfeit the royalty payments.

Genentech premised its antitrust and state law tort and contract charges on these and related events. The district court dismissed the antitrust and state law counts as barred by the Eleventh Amendment, and the antitrust counts as barred by the State Action doctrine. In view of the abrogation of immunity for violation of patent law, Public Law 102-560, we first consider the relation of these counts to the patent counts.

1. Defenses.

Genentech points out that the University must plead its charge of patent infringement in response to Genentech's action for declaration of noninfringement, lest the University's charge be barred as *res judicata*. *See* Fed. R. Civ. P. 13 (a); *Baker v. Gold Seal Liquors, Inc.*, 417 U.S. 467, 469 n.1 (1974); *Southern Constr. Co. v. Pickard*, 371 U.S. 57, 60 (1962). Genentech states that its antitrust and state law claims are an integral part of its

defense to the University's charge of patent infringement, and therefore that these claims are appropriately raised in the declaratory judgment complaint. *See Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479, 20 USPQ2d 1241, 1249 (Fed. Cir. 1991) (the "claim" of a declaratory judgment action is based on the patent owner's charge of infringement; the declaratory complaint raises anticipatory defenses to this charge). The University's position is that it is irrelevant whether any of the antitrust and state law claims are defenses or counterclaims to the charge of patent infringement, for they were not included in any abrogation or waiver of the Univer-sity's immunity from suit in federal court. Thus the University asserts that these claims can not be raised against it in this action.

When a state maintains a claim in federal court it thereby consents to the exercise of federal judicial authority over that claim "to the full extent required for its complete determination." *Clark v. Barnard*, 108 U.S. at 448. The principles of federalism underlying the Eleventh Amendment do not prevent a person from defending against an action by a state. *See In re Regents*, 964 F.2d at 1134, 22 USPQ2d at 1754 (the Eleventh Amendment is not designed to give procedural advantage to state claimants); *In re Greenstreet, Inc.*, 209 F.2d 660, 664 (7th Cir. 1954) (when the government initiates legal action it thereby "consents' to the jurisdiction of the court to entertain any defensive plea").

The University's charge of patent infringement is the claim that creates the controversy which supports the declaratory judgment action. The Eleventh Amendment does not bar the raising by Genentech of its defenses to the University's charge of patent infringement, whether these defenses arise under federal or state law. Thus the counts that are defenses to the charge of patent infringement, such as the defense of contract-based estoppel and the defense of unenforceability based on antitrust violation, are as available to the accused infringer as are the defenses of patent invalidity and noninfringement.

Although the University argues that it has not consented to the adjudication of any state law theories in federal court, consent is not required as to defenses to the University's charge of patent infringement. The University asserts that *Pennhurst* prohibits a

private party from maintaining any state law claim against a state in federal court. 465 U.S. at 106 ("it is difficult to think of a greater intrusion on state sovereignty than when a federal court instructs state officials on how to conform their conduct to state law"). In *Pennhurst* the petitioner sought to coerce state action. There was no issue of defending against state charges or threatened charges by invoking state law. The affront to principles of federalism addressed in *Pennhurst* is not present here.

Genentech also states that the University committed fraud in the patent office in obtaining a Certificate of Correction under conditions that Genentech alleges did not meet the requirements of 35 U.S.C. § 255. Such acts if proved would in any event violate the patent law, and to that extent state immunity was abrogated by Public Law 102-560, which applies to "the eleventh amendment [or] any other doctrine of sovereign immunity". 35 U.S.C. § 296(a).

2. Counterclaims.

Nor is the University's consent required for those counterclaims that are properly raised in recoupment of the University's charges. The general rule, although not without debate, is that when a governmental entity has waived its immunity from federal judicial authority by taking legal action in federal court, the person charged can raise all counterclaims that arise from the same transaction or events. *E.g., Livera v. First Nat'l State Bank*, 879 F.2d 1186, 1195-96 (3d Cir.), *cert. denied, Livera v. Small Business Admin.*, 493 U.S. 937 (1989) ("a defendant may assert by way of recoupment *any claim* arising out of the same transaction or occurrence . . . in order to reduce or defeat the government's recovery") (emphasis in original). The summary by Professor Wright with respect to the federal government is applicable to states:

> Despite the sovereign immunity doctrine and the language of Rule 13(d), when the United States institutes an action, defendant may assert by way of recoupment any claim arising out of the same transaction or occurrence as the original claim in order to reduce or defeat the government's recovery. However, if defendant's claim arises from a differ-

> ent transaction or occurrence, then it is in effect an independent suit and it may be asserted as a setoff or counterclaim only if the government has waived its sovereign immunity.

6 Charles A. Wright *et al., Federal Practice and Procedure* § 1427 (2d ed. 1990) (footnotes omitted). *See also In re Monongahela Rye Liquors. Inc.*, 141 F.2d 864, 869 (3d. Cir. 1944) (recoupment rule applies to states); 3 James W. Moore & Richard D. Freer, *Moore's Federal Practice* § 13.19[2.-2] (2d ed. 1992) (recoupment by counterclaims against a state) (collecting cases).

Cases applying this rule are highly fact-dependent, as the courts have considered whether an issue that was raised by counter-claim is suitable for recoupment of damages assessed in favor of the state. *E.g., United States v. Montrose Chem. Corp.*, 788 F. Supp. 1485, 1492-94 (C.D. Cal. 1992) (chemical company's state law counterclaims arising out of the same events as state's CERCLA action in federal court, with recovery limited to recoupment, does not violate Eleventh Amendment or sovereign immunity); *New York v. Johnstown*, 701 F. Supp. 33, 37-38 (N.D.N.Y. 1988) (state law compulsory counterclaims seeking recoupment against state-brought CERCLA claim do not violate state immunity); *Burgess v. M/V Tamano*, 382 F. Supp. 351, 355-56 (D. Me. 1974) (requiring that state law counterclaims arise out of the event underlying state's claim for damages); *Alaska v. O/S Lynn Kendall*, 310 F. Supp. 433, 434 (D. Alaska 1970) (limiting to recoupment defendant's potential recovery on state law counterclaims).

Depending on the particular facts, precedent is mixed as to whether the cause of action raised by counterclaim must be of the same category as the state's claim. For example, a tort claim has been held effective to recoup damages against a contract claim. *E.g., United States v. Irby*, 618 F.2d 352, 356-57 (5th Cir. 1980). The controlling factor is whether the counterclaim arose out of the same transaction or occurrence. *E.g., In re Monongahela Rye Liquors*, 141 F. 2d at 869 (trustee's claim for money due for liquor sold to state manifestly unrelated to state's tax claim against the bankrupt estate).

Certain of Genentech's state law counts are properly viewed not as defenses but as counterclaims against the University's charge of infringement, such as the claims for tortious interference with contract and unfair competition. Whether these counterclaims are deemed "compulsory" determines whether they may be pursued in this action for purposes of recoupment of the University's claims against Genentech. Absent consent to suit or waiver or abrogation of immunity, affirmative relief beyond recoupment is not available on such claims. *See e.g., United States v. Shaw*, 309 U.S. 495, 501-02 (1940) (rejecting the contention that when the sovereign voluntarily seeks the aid of the courts it thereby takes the form of a private suitor and fully subjects itself to any claim). Recoupment, however, is an established remedy based on the principle that neither sovereign immunity nor the principles of federalism prevents a private person from raising, in defense and setoff, claims that arise from the same transaction or occurrence on which the state is seeking to recover damages.

A counterclaim must be "compulsory" in order to be raised as of right in an area of law in which the state is otherwise immune from suit. *See* Fed. R. Civ. P. 13(a) (a compulsory counterclaim is one that arises out of the same transaction or occurrence as the opposing party's claim); *see generally* 3 Moore & Freer, *supra*, ¶ 13.13 (discussing transaction or occurrence requirement of Rule 13(a)). Such a counterclaim is usually "within the court's ancillary jurisdiction and an independent basis for federal jurisdiction is not necessary." 6 Wright *et al., supra* § 1409 at 49. However, ancillary jurisdiction[5] alone may not override the Eleventh Amendment. *County of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 251 (1985) (noting the *Clark* exception to *Pennhurst*); *Chemehuevi Indian Tribe v. California State Bd. of Equalization*, 757 F.2d 1047, 1053 (9th Cir.), *rev'd on other grounds*, 474 U.S. 9 (1985). In this case the University must bring its charges of patent infringement against Genentech or be forever barred from doing so. The University's immunity as to the patent counts

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[5] The concepts of ancillary and pendent jurisdiction are now termed "supplemental jurisdiction". Judicial Improvements Act of 1990, Pub. L. No. 101-650, § 310, 104 Stat. 5089, 5113-14 (codified qt 28 U.S.C. § 1367).

having been abrogated, Genentech is now permitted to bring compulsory counterclaims that are suitable for recoupment of damages that may be assessed against it. Should the University choose to forego charging Genentech with infringement, these counterclaims would be subject to dismissal.

Although Genentech states that the University did not dispute that Genentech's antitrust and state law claims arose from the same transaction and events and thus are compulsory counterclaims, that is an overstatement. On the summary proceedings on which this case was decided, this question did not require decision by the district court. It is inappropriate for us to decide the issue *ab initio*, for neither the particular facts, nor the application of law to those facts, was developed in the district court. We hold only that on the basis of the pleading the dismissal of all of Genentech's antitrust and state law defenses and counterclaims was unwarranted under Rules 12(b)(1) and 12(b)(6). When proceedings are reopened the district court may determine which of Genentech's antitrust and state law counts meet the criteria of defenses and compulsory counterclaims to the University's charge of patent infringement, and thus are properly raised in this proceeding.

3. Antitrust Claims.

The district court held that the State Action doctrine provides immunity from the asserted violations of federal antitrust law. The principal antitrust issue raised in Genentech's pleading relates to the University's licensing activities. Genentech's position is that the University conspired with Lilly to exclude Genentech from the hGH market, in violation of the Sherman Act.

The State Action doctrine, although grounded on general principles of federalism, relates specifically to state sovereignty in state legislatively authorized activity. The doctrine provides immunity, or "exemption" as it is sometimes called, from federal competition laws when the state is performing official acts, whether or not these acts are anticompetitive in effect. As explained in *Parker v. Brown*, 317 U.S. 341 (1943), a case where California state officials were administering a legislatively man-

dated program that had the purpose of restricting competition among raisin producers in California:

> We find nothing in the language of the Sherman Act or in its history which suggests that its purpose was to restrain a state or its officers or agents from activities directed by its legislature.

Parker, 317 U.S. at 350-51. The district court, applying this principle, dismissed Genentech's antitrust claims against the University.

To warrant *Parker* immunity the anticompetitive acts must be taken in the state's "sovereign capacity", and not as a market participant in competition with commercial enterprise. *Community Communications Co. v. Boulder,* 455 U.S. 40, 52 (1982). If the allegedly anticompetitive acts are not explicitly ordered by a legislative arm of state government, they must be conducted pursuant to legislative authorization that contemplates such acts. *Hoover v. Ronwin,* 466 U.S. 558, 567-68 (1984). As discussed in *City of Lafayette v. Louisiana Power & Light Co.,* 435 U.S. 389 (1978), Parker immunity permits the state to impose anticompetitive restraints "as an act of government." 435 U.S. at 391 (quoting *Parker*).

However, the policies underlying *Parker* do not extend to circumstances where the state acts not in a legislative/regulatory capacity but as a "commercial participant in a given market." *City of Columbia v. Omni Outdoor Advertising, Inc.,* 111 S.Ct. 1344, 1351 (1991). *See South-Central Timber Dev., Inc. v. Wunnicke,* 467 U.S. 82, 102 (1984) (Rehnquist, J., dissenting) ("the antitrust laws apply to a State only when it is acting as a market partici-pant"); *Jefferson County Pharmaceutical Ass'n. Inc. v. Abbott Lab.,* 460 U.S. 150, 154 (1983) (state university's participation in private retail markets renders it subject to Robinson-Patman Act); *Union Pacific R.R. v. United States,* 313 U.S. 450 (1941) (rebates and concessions made by city-run produce market integrated with railroad facilities violated the Elkins Act). *Cf Reeves, Inc. v. Stake,* 447 U.S. 429, 436 (1980) (the distinction between the state as a market participant and the state as a market regulator "makes good sense and sound law" in Com-

merce Clause cases); *Employees of Dep't of Public Health & Welfare v. Department of Public Health and Welfare*, 411 U.S. 279, 284 (1973) (state activity was not of a proprietary, commercial nature, and was protected by principles of state sovereignty).

Genentech alleges that the University was not acting under state legislative or regulatory authority when the University assertedly violated the Sherman Act. Genentech states that the University has neither regulatory interest nor sovereign authority in the national market for hGH, and simply engaged in profitmaking commercial activity. The University responds that it was merely exercising its authority and obligation to manage the property of the University. The University states that it does not participate in the hGH market; that it is not in competition with private enterprise; and that the licensing of a patent based on University research is not commercial activity but is part of a university's normal functions, serving the public purpose of aiding the movement of scientific research toward practical application.

We need not decide whether the University's licensing activities establish a market participant exception to State Action immunity, for Genentech has not pled facts which if proved constitute violation of the antitrust laws. The patenting and licensing of the results of University research is not a violation of antitrust principles, and the grant of an exclusive license is a lawful incident of the right to exclude provided by the Patent Act. The University's right to select its licensees, the decision to grant exclusive or non-exclusive licenses or to sue for infringement, and the pursuit of optimum royalty income, are not of themselves acts in restraint of trade. Although, Genentech presses the position that the University and Lilly conspired to exclude Genentech from the hGH market, Genentech's pleading does not allege more substance than the University's grant of an exclusive license to Lilly; thus it is unnecessary to consider the applicability of the statement in *City of Columbia* that there is no "conspiracy exception" to State Action immunity. 111 S.Ct. at 1351.

For these reasons, the charge of antitrust violation in the licensing arrangement was correctly dismissed under Rule

12(b)(6). Accordingly, we do not reach the question of whether State Action immunity protects the challenged activities.[6]

Summary

Dismissal of the declaratory action is vacated. Absent sound reason favoring a different forum, a first-filed suit is entitled to precedence against a subsequent suit.

The University is not immune from suit as to the patent counts, and as to those other counts that are defenses and compulsory counterclaims to the charge of patent infringement. Dismissal on these grounds is vacated. On remand the district court may determine which counts are thus properly asserted.

The dismissal of the antitrust count is affirmed.

No costs.

AFFIRMED IN PART, VACATED IN PART, and REMANDED

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[6] We take note that in *City of Columbia* the Court expressly left open the question of whether antitrust action may be brought against a state when there is no *Parker* immunity. We too do not reach that question.

United States Court of Appeals for the Federal Circuit

91-1249

GENENTECH, INC.,
Plaintiff-Appellant,

v.

ELI LILLY AND COMPANY,
Defendant,

and

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Defendant-Appellee.

ORDER

United States Court of Appeals for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED, and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on September 30, 1993.

FOR THE COURT,
FRANCIS X. GINDHART,
CLERK

Dated: September 23, 1993

By /s/ Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: JOHN E. KIDD
THOMAS D. NEVINS, III
SUSAN B. TABLER

GENENTECH INC V REGENTS, 91-1249
(DCT - 90-1679-C)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

United States Court of Appeals for the Federal Circuit

91-1249

GENENTECH, INC.,
Plaintiff-Appellant,

v.

ELI LILLY AND COMPANY,
Defendant,

and

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Defendant-Appellee.

Judgment

ON APPEAL from the
United States District Court for
the Southern District of Indiana

in CASE NO(S).
IP 90-1679-C

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED IN PART, VACATED IN PART, REMANDED

ENTERED BY ORDER OF THE COURT

DATED Jul-1 1993

/s/ Francis X. Gindhart
Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: September 30, 1993

MOTION OF APPELLEE, THE REGENTS OF THE UNIVERSITY OF CALIFORNIA FOR A STAY OR RECALL OF MANDATE ISSUED AFTER PETITION FOR REHEARING

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

91-1249

GENENTECH, INC.,
Plaintiff-Appellant,

v.

ELI LILLY AND COMPANY,
Defendant,

and

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Defendant-Appellee.

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The motion is DENIED.
FOR THE COURT,
10/26/93 FRANCIS X. GINDHART
Date Clerk

Attorneys For Defendant-Appellee,
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, DC 20543

WILLIAM K. SUTER
CLERK OF THE COURT

AREA CODE 202
479-3011

October 27, 1993

Mr. Thomas D. Nevins
Broad, Schulz, Larson, et al.
1 California Street, 14th Flr.
San Francisco, CA 94111

Re: Regents of the University of California,
v. Genentech, Inc.
Application No. A-353

Dear Mr. Nevins:

The application for recall and stay of mandate of Federal Circuit pending timely filing and disposition of petition for writ of certiorari in the above-entitled case has been presented to the Chief Justice who endorsed thereon the following:

"Denied
10/27/93
WHR"

Very truly yours,

WILLIAM K. SUTER, Clerk
By

Francis J. Lorson
Chief Deputy Clerk

NOTE — FOR YOUR INFORMATION: A copy of this letter has been sent to all interested parties shown on the attached notification list.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

GENENTECH, INC.,
Plaintiff,

vs.

ELI LILLY AND COMPANY and
THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA,
Defendants.

CAUSE NO. IP 90-1679-C

ORDER ON MOTION TO DISMISS AS TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

This cause is before the Court on a motion to dismiss filed 1by defendant, The Regents of the University of California ("UC"). The issues raised have been briefed and are ready for resolution. For the reasons set forth, the Court GRANTS UC's motion to dismiss.

I. PROCEDURAL AND FACTUAL BACKGROUND

Plaintiff, Genentech, Inc. ("Genentech"), brought this action for a declaratory judgment against UC and Eli Lilly and Company ("Lilly") that U.S. Patent No. 4,363877, entitled "Recombinant DNA Transfer Vectors" ("the '877 patent") is invalid, not infringed by Genentech, and is unenforceable. Subsequently, antitrust and state claims were added. UC has filed a motion to dismiss it from all claims.

Both UC and Genentech have their principal places of business in California. Genentech is a Delaware corporation, and UC is a public corporation under the laws of California. Lilly is an Indiana corporation with its principal place of business in Indianapolis.

On August 6, 1990, Genentech filed a declaratory judgment action in this Court. At that time, it was clear to Genentech that UC intended to file a patent infringement suit in California on or

before August 8, 1990. Genentech desires to litigate in this district. On August 7, 1990, UC filed a patent infringement suit, concerning the same patent, against Genentech in the United States District Court for the Northern District of California.

As the complaint in this Court now stands, Genentech requests declaratory relief; alleges violation of §§ 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2; fraud; breach of third party beneficiary obligations; breach of the settlement agreement; unfair competition in violation of California law; and tortious interference with contract and with prospective business advantage.

II. DISCUSSION

The primary issue to be addressed is whether the Eleventh Amendment[1] is a complete jurisdictional bar to Genentech's suit against UC. The eleventh Amendment precludes the maintenance in federal court by private parties of legal or equitable actions against a State absent the State's consent to federal jurisdiction, or an express statement by Congress in a federal statute that the State in subject to suit on that statute in federal court. *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89 (1984); *Welch v. Texas Dept. of Highways & Public Transp.*, 483 U.S. 468, 472, 479-88 (1987).

A. STATUS OF UC

The first issue to be addressed is whether UC is entitled to the protections of the Eleventh Amendment.

The University of California is empowered by the California Constitution. Article IX, Section 9(a) provides:

> The University of California shall constitute a public trust, to be administered by the existing corporation known as "The

---

[1] The Eleventh Amendment to the United States Constitution provides:

> The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

> Regents of the University of California," with full powers of organization and government, subject only to such legislative control as may be necessary to ensure the security of its funds . . .

In describing the organization of the University of California, the California Attorney General has stated:

> Only a few universities in the United States are organized in a manner similar to the University of California. The University of California is a state institution. It is a constitutional corporation or department and constitutes a branch of the state government equal and coordinate with the legislature, the judiciary and the executive. The Regents in operating the University are generally free of legislative interference and control. The constitution expressly makes the Regents subject only to limited legislative control. The Regents, not the legislature, have the general rule-making or policymaking power in regard to the University . . . It is clear . . . that the power of the Regents to operate, control, and administer the University is virtually exclusive.

30 Ops. Atty. Gen. 162, 166 (1957) (citations omitted).

The Ninth Circuit has held that actions by UC are actions by the state. *BV Engineering v. University of California, Los Angeles*, 858 F.2d 1394, 1395 (9th Cir. 1988), *cert. denied*, 489 U.S. 1090 (1989). The Ninth Circuit held that, "The University of California and the Board of Regents are considered to be instrumentalities of the state, and therefore enjoy the same immunities as the State of California." *Id.* at 1395 (citation omitted). For the foregoing reasons, the Court concludes that UC is an instrumentality of the State of California for Eleventh Amendment purposes. Therefore, actions by UC are entitled to the protection of the Eleventh Amendment. *Accord*, *Korf v. Ball State University*, cause no. IP 82-901-C (S.D. Ind. 1983).

B. DECLARATORY JUDGMENT

1. Eleventh Amendment Analysis

Congress did not abrogate California's Eleventh Amendment immunity in enacting patent law. *Chew v. State of California*, 893 F.2d 331, 334 (Fed. Cir.), *cert. denied*, 111 S. Ct. 44 (1990) *Jacobs Wind Electric Co., Inc. v. Florida Dept. of Transportation*, 919 F.2d 726 (Fed. Cir. 1990).

Genentech is essentially arguing that by baring patent actions against a state in federal court, the private party is left without a remedy because states have no authority to determine the validity of a patent. The Federal Circuit Court, which has exclusive jurisdiction over appeals in all patent cases, rejected this argument in *Jacobs Wind Electric* because the plaintiff could have brought a state action takings claim against the state under the Fifth and Fourteenth Amendments. While this may not be the desired remedy, it is a remedy. Genentech tries to distinguish the above cases from the instant situation because here the state owns the patent. In the above cases, the plaintiff owned the patent. Genentech argues that whether the state has waived immunity is a different question from whether Congress has abrogated it. Genentech is correct. However, where the state has done nothing to waive Eleventh Amendment immunity except to become a patent holder, the answer is the same. While this holding may result in a state being immune from a declaratory judgment action concerning a patent it owns in the vast majority of situations, this policy argument will not be addressed because Genentech's declaratory judgment suit must be dismissed even without considering the Eleventh Amendment.

2. Tempco Analysis

In a declaratory judgment action involving a disputed trademark, the Seventh Circuit recently held that a declaratory judgment suit should be dismissed if filed in anticipation of an infringement suit. *Tempco Elec. Heater Corp. v. Omega Engineering, Inc.*, 819 F.2d 746 (7th Cir. 1987). *Accord, A.G. Edwards & Sons, Inc. v. Public Bldg. Com'n of St. Clair County, Ill.*, 921 F.2d 118 (7th Cir. 1990). In *Tempco*, the plaintiff, an Illinois corpora-

tion, manufactured electric heaters and temperature control devices. The plaintiff owned a federally registered trademark for its heaters which included the greek letter omega. It also used this mark, without federal registration, for its temperature devices since the 1970's. The defendant, a Delaware corporation with its principal place of business in Connecticut, also manufactured temperature control devices. Like the plaintiff, the defendant had a federally registered trademark which used the greek letter omega.

Believing that the plaintiff's use of the omega symbol on temperature control devices infringed on its trademark, the defendant contacted the plaintiff and threatened litigation. The plaintiff stated its disinclination to comply with the demand to remove the symbol for its temperature control devices, and filed a declaratory judgment action in the Northern District of Illinois. Four days later, the defendant filed an infringement action in the District of Connecticut, and moved to dismiss the declaratory judgment action on the ground that the infringement action involved the same facts, parties and issues. The district court granted the motion to dismiss, and the Seventh Circuit affirmed. *Tempco*, 819 F.2d at 746-47.

In affirming the district court, the Seventh Circuit reiterated that "the federal courts have discretion to decline to hear a declaratory judgment action, even though it is within their jurisdiction." *Tempco*, 819 F.2d at 747 (citations omitted). In applying this declaration, the district court is not to rigidly follow the first-to-file rule, and decline to hear the declaratory judgment action only if the infringement action is filed first. *Tempco*, 819 F.2d at 750. Instead, the court is to determine whether the declaratory judgment action was filed in anticipation of an infringement action. *Tempco*, 819 F.2d at 749. The Seventh Circuit held that "[w]here the declaratory judgment action is filed in anticipation of an infringement action, the infringement action should proceed, even if filed four days later." *Tempco*, 819 F.2d at 749. The purpose of a declaratory judgment action is to prevent one party from continually accusing the other, to his detriment, without the first party invoking a coercive remedy. However, where the declaratory judgment defendant promptly files an

infringement suit, a declaratory judgment would serve no useful purpose. *Tempco*, 819 F.2d at 749.

The Seventh Circuit also rebuffed the argument that by dismissing the declaratory judgment, the court has deprived the plaintiff of its right to choose the forum. The purpose of a declaratory judgment is to force adjudication of the parties' rights. A declaratory judgment does not involve a right to forum preference. So long as an infringement action is filed, even if in another district court, the purposes of the declaratory judgment have been served. *Tempco*, 819 F.2d at 749-50.

Here, Genentech filed this declaratory judgment suit because it knew UC was about to file an infringement suit, and in fact did file the suit one day later. Plainly the declaratory judgment action was filed in anticipation of an infringement action. *Tempco* controls, and accordingly, the declaratory judgment action is dismissed.

C. ANTITRUST

Next, UC contends that it is immune from liability under the Sherman Antitrust Act. As the Seventh Circuit has stated:

> When the state itself in one of its incarnations performs the challenged activity, it is ipso facto immune from the antitrust laws .... Once it is determined that the action is taken by the state itself, whether or not pursuant to some clear state policy, courts need not engage in any further inquiry — they must dismiss the federal antitrust claim.

Fuchs v. Rural Elec. Convenience Co-op, Inc., 858 F.2d 1210, 1214 (7th Cir. 1988) (citations omitted), *cert. denied*, 490 U.S. 1020; *see Parker v. Brown*, 317 U.S. 341, 351 (1943); *Hoover v. Ronwin*, 466 U.S. 558, 568 (1984). Based on the above quotation, the determinative issue is whether UC's actions are those of the state. As previously held, the actions by UC are considered those of the state itself. Therefore, UC is immune from liability under the Sherman Antitrust Act.

D. STATE CLAIMS

The Eleventh Amendment forbids a federal court from hearing pendent, state law claims against a State. *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89, 106 (1984). The Supreme Court has stated, "it is difficult to think of a greater intrusion on state sovereignty than when a federal court instructs state officials on how to conform their conduct to state law." *Id.* Thus, the state law claims against UC must be dismissed.[2]

III. CONCLUSION

In summary, the Court holds that all claims against the Regents of the University of California must be dismissed as they are barred by the Eleventh Amendment. Additionally, the Seventh Circuit case of *Tempco Elec. Heater Corp. v. Omega Engineering, Inc.*, requires the dismissal of the declaratory judgment claim. The remaining claims against Lilly will be heard concurrently with the related cases now before District Judge Dillin.

IT IS SO ORDERED this 4 day of February, 1991.

/s/ Larry J. McKinney
LARRY J. McKINNEY,
JUDGE
United States District Court
Southern District of Indiana

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[2] Even if it was held that a federal court could address the state law claims, this Court is not the correct venue. The United States District Court for the Northern District of California would be the correct venue because it will hear the patent infringement action between the same parties. 28 U.S.C. § 1404(a).

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

GENENTECH, INC.,
Plaintiff,

v.

ELI LILLY AND COMPANY and
THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA
Defendants.

NO. IP 90-1679-C

ORDER AND JUDGMENT

The above captioned cause came before the Court upon the request of Genentech, Inc. that the Court direct the entry of a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, and the Court being duly advised in the premises:

1. The Regents of the University of California's Motion to Dismiss having been granted by order of February 4, 1991, thereby dismissing all of Genentech's claims against The Regents of the University of California, it is expressly determined that there is no just reason for delay.

2. It is expressly ordered that final judgment be and the same is hereby entered for defendant, The Regents of the University of California, and against plaintiff, Genentech, Inc.

Dated this 7 day of March, 1991.

/s/ Larry J. McKinney
Judge, United States District Court

AMENDMENT XI—UNITED STATES CONSTITUTION

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

TEXT OF PUBLIC LAW 102-560, 106 STAT. 4230 (1992)

SECTION 1. SHORT TITLE

The Act may be cited as the "Patent and Plant Variety Protection Remedy Clarification Act".

SEC. 2. LIABILITY OF STATES, INSTRUMENTALITIES OF STATES, AND STATE OFFICIALS FOR INFRINGEMENT OF PATENTS.

(a) LIABILITY AND REMEDIES.—(1) Section 271 of title 35, United States Code, is amended by adding at the end the following:

"(h) As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any state, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity."

(2) Chapter 29 of title 35, United States Code, is amended by adding at the end the following new section: "§ 296. Liability of States, instrumentalities of States, and State officials for infringement of patents.

"(a) IN GENERAL.—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal Court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

"(b) REMEDIES.—In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such remedies include damages, interest, costs, and treble damages under sec-

tion 284, attorney fees under section 285, and the additional remedy for infringement of design patents under section 289."

(b) CONFORMING AMENDMENT.—The table of sections at the beginning of chapter 29 of title 35, United States Code, is amended by adding at the end the following new item:

"Sec. 296. Liability of States, instrumentalities of States, and State officials for infringement of patents."

SEC. 3. LIABILITY OF STATES, INSTRUMENTALITIES OF STATES, AND STATE OFFICIALS FOR INFRINGEMENT OF PLANT VARIETY PROTECTION.

(a) INFRINGEMENT OF PLANT VARIETY PROTECTION.—Section 111 of the Plant Variety Protection Act (7 U.S.C. 2541) is amended—

(1) by inserting "(a)" before "Except as otherwise provided"; and

(2) by adding at the end thereof the following new subsection:

"(b) As used in this section, the term 'perform without authority' includes performance without authority by any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity."

(b) LIABILITY OF STATES, INSTRUMENTALITIES OF STATES, AND STATE OFFICIALS FOR INFRINGEMENT OF PLANT VARIETY PROTECTION.—Chapter 12 of the Plant Variety Protection Act (7 U.S.C. 2561 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 130. LIABILITY OF STATES, INSTRUMENTALITIES OF STATES, AND STATE OFFICIALS FOR INFRINGEMENT OF PLANT VARIETY PROTECTION.

"(a) Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his

official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of plant variety protection under section 111, or for any other violation under this title.

"(b) In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such remedies include damages, interest, costs, and treble damages under Section 124, and attorney fees under section 125."

SEC. 4. EFFECTIVE DATE.

The amendments made by this Act shall take effect with respect to violations that occur on or after the date of the enactment of this Act.

(2)

Supreme Court, U.S.
FILED
JAN 24 1994
OFFICE OF THE CLERK

No. 93-1014

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Petitioner,

—v.—

GENENTECH, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a State which decides to enforce a federal patent claim in federal court thereby consents to the exercise of federal authority over that claim and any compulsory federal or state law counterclaims for setoff or recoupment, to the full extent necessary for the complete determination of the claim?

2. Whether Public Law 102-560, which makes States subject to the patent laws to the same extent as any nongovernmental entity both with respect to infringement claims and "for any other violation" of the patent laws, abrogates a State's Eleventh Amendment immunity to suit in an action to declare the invalidity, non-enforceability and non-infringement of a patent which the State seeks to enforce?

3. Whether Public Law 102-560 is applicable to a suit which was pending at the time of the statute's enactment, where the suit requests prospective equitable relief based on violations of patent rights which began prior to the statute's enactment and continued thereafter?

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No. 93-1014

IN THE SUPREME COURT

of the

UNITED STATES

October Term, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Petitioner,

vs.

GENENTECH, INC.,
Respondent,

Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Genentech, Inc. ("Genentech") submits this brief in opposition to the Petition for a Writ of Certiorari filed on behalf of the Regents of the University of California.

STATEMENT OF THE CASE

The Regents of the University of California ("Petitioner" or "the University") own United States Patent No. 4,363,877, entitled "Recombinant DNA Transfer Vectors," granted December 14, 1982 ("the '877 patent"). It is undisputed that, before Genentech brought this declaratory judgment action, the University charged Genentech with infringement of the '877 patent (A-5)[1], and that, on the day after Genentech filed this action in Indiana, the University filed a patent infringement suit against Genentech in the United States District Court for the Northern District of California.

Genentech's Amended Complaint in this action includes, in addition to the declaratory judgment counts, "anticipatory" defenses and counterclaims to the University's charge of patent infringement, some arising under federal law, some under common law, and some under state statute. The University moved to dismiss the action as against it, arguing that the Eleventh Amendment made the University immune from suit on all of Genentech's claims. The University now argues that it remains immune from suit in this action despite the enactment of Public Law 102-560, and despite its own invocation of federal jurisdiction.[2] The

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[1] References are to the Appendix to the University's Petition for a Writ of Certiorari.

[2] The University clearly invoked federal jurisdiction when it brought a patent infringement action against Genentech. The Federal Circuit held correctly, however, that the University had invoked federal jurisdiction even before bringing its own lawsuit, by threatening to enforce the '877 patent against Genentech. Arrowhead Industrial Water, Inc. v. Ecolochem, Inc., 846 F. 2d 731, 736 (Fed. Cir. 1988); C.R. Bard, Inc. v. Schwartz, 716 F. 2d 874, 880 (Fed. Cir. 1983); A-18.

University contends that, by asserting an infringement claim in a federal forum, a State should, at most, be held to have waived its immunity only as to that claim, and as to "the federal defenses to enforcement of that claim, with state law claims restricted to the courts of that State." (Petition at 8)

The Federal Circuit disagreed. It held that Public Law 102-560 abrogated the University's immunity from suit in an action to declare the invalidity, non-infringement and unenforceability of a patent, and it held that, "When a state maintains a claim in federal court it thereby consents to the exercise of federal judicial authority over that claim 'to the full extent required for its complete determination.' Clark v. Barnard, 108 U.S. at 448." (A-22)

The University's petition is based primarily on a non-existent conflict between the Federal Circuit's decision and this Court's ruling in Pennhurst State School & Hospital v. Halderman, 465 U.S. 89 (1984). As Genentech will demonstrate in this brief, there is no conflict among circuits, and no conflict with any decision of this Court; nor is there any need for clarification or settlement of any principle of federal law. The Federal Circuit's decision as to waiver was based on well-settled rules which this Court recognized and reaffirmed in Pennhurst; and its decision on the scope and application of Public Law 102-560 was based upon equally well-settled rules of statutory construction applied to an unambiguous text.

REASONS WHY THE WRIT SHOULD NOT BE GRANTED

Rule 10 of this Court's rules states explicitly that, "A petition for a writ of certiorari will be granted only when there are special and important reasons therefor." Such reasons may include conflicts like those enumerated in the rule (e.g., conflicts among circuits or among state courts, Braxton v. United States, ____ U.S. ____, 111 S. Ct. 1854 (U.S. 1991)); or unsettled questions of

importance to the administration of federal law, United States v. Williams, ____ U.S. ____, 112 S. Ct. 1735 (U.S. 1992), citing Virginia Bankshares, Inc. v. Sandberg, ____ U.S. ____, 111 S. Ct. 2749, 2761, (1991). But if the question is academic, or important only to the parties, and not to the public, the writ should be denied. Rice v. Sioux City Memorial Park Cemetery, Inc., 349 U.S. 70 (1955).

Despite the University's efforts, it has failed to identify any genuine conflict, or any unsettled issue of public importance which would justify review by this Court.

I.

The University contends that, under the Federal Circuit's ruling, a State's decision to enforce its federal patent claims in federal court will result in a "compulsory, involuntary" waiver of its immunity from federal court litigation of state law claims, and that this result is in conflict with the Court's decision in Pennhurst. The Federal Circuit's ruling, however, neither ignored nor misinterpreted Pennhurst.

(a) The Federal Circuit based its ruling on what it described as "the Clark exception to Pennhurst," (A-25) referring to this Court's decision in Clark v. Barnard, 108 U.S. 436 (1883). In Clark, this Court held that, by asserting a claim to a fund that had been paid into the federal court, the State of Rhode Island waived its Eleventh Amendment immunity to suit by an adverse claimant to the fund. This Court stated:

> The immunity from suit belonging to a State, which is respected and protected by the Constitution within the limits of the judicial power of the United States, is a personal privilege which it may waive at pleasure. . . . In the present case, the State of Rhode Island appeared in the cause and presented and prosecuted a claim to the fund in

> controversy, and thereby made itself a party to the litigation to the full extent required for its complete determination.

108 U.S. at 447.

While the University attempts to dismiss Clark as an irrelevant relic from a more primitive pleading era (Petition at 13, n.8), this Court has not overruled or limited Clark. Indeed, Pennhurst itself acknowledged Clark's continuing authority. As the Court stated in Pennhurst:

> A sovereign's immunity may be waived, and the Court consistently has held that a State may consent to suit against it in federal court. See, e.g., Clark v. Barnard, 108 U.S. 436, 447 (1883).

The cases on which the Federal Circuit relied in holding that the University has waived immunity for all defenses and counterclaims required for the complete determination of the controversy do not ignore Pennhurst or the principles underlying it. In Pennhurst, the State did not initiate the action or threaten to enforce federal rights in a federal court. Thus, principles of federalism required that its immunity be preserved. As the Federal Circuit correctly noted, however, principles of federalism "do not prevent a person from defending against an action by the State." (A-22) Although the waiver which results from that action may be automatic, and may be compelled by the requirements of fairness and due process, it is not "involuntary," and it is not in conflict with Pennhurst.

(b) Recognizing that it cannot invoke federal jurisdiction to enforce federal rights without waiving its Eleventh Amendment immunity to some degree, the University asks this Court to adopt a new rule which would restrict the waiver to "the federal claim that the State is forced to litigate in that forum and the federal defenses to enforcement of that claim." (Petition at 8) Not

only would such a rule interfere with the "complete determination" of the action in one court, and give a "procedural advantage" to state claimants; it would invite the kind of hair-splitting which would lead inevitably to confusion and uncertainty. Under the University's proposed new rule, for example, it is unclear what would happen to a state law claim which arises out of the very same facts as a federal claim or defense.

The rule which the Federal Circuit applied is well-settled[3] and clear; the Federal Circuit used a test which is familiar to courts and litigants, namely the test prescribed by Federal Rule 13(a) for determining whether a counterclaim is compulsory. As the Federal Circuit concluded, "The controlling factor is whether the counterclaim arose out of the same transaction or occurrence." (A-24) If so, then the State's waiver of immunity should extend to that claim to the extent of making it available for setoff or recoupment.

(c) Finally, although the Federal Circuit held that Genentech is now permitted to bring "compulsory counterclaims that are suitable for recoupment of damages that may be assessed against it," (A-26) the Federal Circuit did not decide which of Genentech's defenses and counterclaims would meet this test. Instead, it remanded the action to the district court for further pleadings, and for a determination of which claims and defenses would meet the prescribed criteria. Prior to that determination, any review by this Court would be premature.

II.

The Federal Circuit based its reinstatement of Genentech's declaratory judgment claim on Public Law 102-560, (and particu-

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[3] The University concedes that the lower courts which have decided this issue are in agreement and that they "routinely" permit state law counterclaims against a state. (Petition at 7)

larly on 35 U.S.C. §§ 271(h) and 296(a) and (b)), which was adopted and became effective while the appeal to the Federal Circuit was pending. The University contends that the Federal Circuit misapplied the new statute, and that it abrogates Eleventh Amendment immunity only to the extent of permitting States to be sued for patent infringement.[4]

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[4] The University apparently does not challenge the power of Congress to abrogate Eleventh Amendment immunity in the patent area. This Court has already held that, in exercising its plenary power under Article I to regulate commerce, Congress has the authority to override the States' Eleventh Amendment immunity. Pennsylvania v. Union Gas Company, 491 U.S. 1 (1989). The same rationale applies to congressional power under Article I to enact patent legislation. As this Court said with respect to the commerce power:

> We have recognized that the States enjoy no immunity where there has been a " 'surrender of this immunity in the plan of the convention.' " . . . Because the Commerce Clause withholds power from the States at the same time as it confers it on Congress, and because the congressional power thus conferred would be incomplete without the authority to render States liable in damages, it must be that, to the extent that the States gave Congress the authority to regulate commerce, they also relinquished their immunity where Congress found it necessary, in exercising this authority, to render them liable. The States held liable under such a congressional enactment are thus not "unconsenting"; they

The University bases its argument on the section headings of the new statute, but ignores the text. While the section headings refer only to infringement, the statute itself clearly sets out two provisions which the University's interpretation would render meaningless.

First, the law added 35 U.S.C. § 271(h) which unambiguously states the congressional purpose that States shall be treated like all other litigants in patent matters. That new subsection contains two sentences, the first applying to "this section," and the second applying more broadly to "this title":

> (h) As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any state, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

35 U.S.C. § 271(h) (emphasis added). If the intent of Congress was simply to make states liable for patent infringement, the first sentence of § 271(h) would have been sufficient, since § 271 deals with infringement actions. The second sentence would have been wholly unnecessary. The second sentence, however, makes it clear that Congress intended to expand more than just the infringement remedies provided under § 271 and to make the states equal to

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> gave their consent all at once, in ratifying the Constitution containing the Commerce Clause, rather than on a case-by-case basis.

Id. at 19-20 (citations omitted). The very same things can be said about congressional power to grant and regulate patents.

nongovernmental entities with respect to all of the provisions of "this title." The University's Petition avoids any mention of this provision.

Second, the law added § 296, which explicitly abrogates Eleventh Amendment immunity "from suit in Federal Court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title."(emphasis added) The same section provides that remedies in such a suit, "are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity." The University's Petition fails to offer any explanation as to what Congress meant by the phrase "any other violation." If Congress intended to abrogate immunity only for infringement claims, then the phrase would have been unnecessary.

The Federal Circuit correctly held that the text of the new statute was not limited to claims of infringement against the State, and that it was designed to put governmental and nongovernmental entities on an equal footing under the patent laws (a point which Congress repeated in three different places in the new law). The Federal Circuit's decision was in accord with well-settled rules of statutory construction. These rules require that the text of the statute itself shall control over legislative history and section headings, unless the text is ambiguous. United States v. Rutherford, 442 U.S. 544 (1979); Brotherhood of R.R. Trainmen v. Baltimore & O.R. Co., 331 U.S. 519, 528-29 (1947); Caminetti v. United States, 242 U.S. 470, 490 (1917). And they require that the statute be interpreted so as to give effect to each of its provisions. United States v. Nordic Village, Inc., 112 S. Ct. 1011 (U.S. 1992); Colautti v. Franklin, 439 U.S. 379 (1979); United States v. Menasche, 348 U.S. 528 (1955).

The University's interpretation of Public Law 102-560 violates these basic principles of statutory construction. By arguing that Congress intended to make states liable to suits brought to enforce a patent, but not to suits brought to declare a

patent invalid, unenforceable or not infringed, the University is again inviting hair-splitting, confusion and uncertainty. There is no ambiguity about the text or purpose of the statute, and the Federal Circuit needs no guidance in interpreting it.

III.

Finally, the University argues that the Federal Circuit erred in applying Public Law 102-560 to Genentech's pending declaratory judgment action. The statute provides that:

> The amendments made by this Act shall take effect with respect to violations that occur on or after the date of the enactment of this Act.

The Federal Circuit ruled, however, that "violations of patent rights are continuing events," and that, in the absence of "manifest injustice" the new statute should be applied to this case. (A-19)

In its struggle to establish that the Federal Circuit's application of the new law was improperly "retroactive," the University argues that the Federal Circuit's ruling "permit[s] equitable relief before the effective date of the abrogating legislation. . . ." (Petition at 15) The argument makes no sense. The Federal Circuit clearly ruled that Public Law 102-560 could not support a damage award for violations which took place prior to the effective date, (A-19) and its ruling does not authorize the district court to enter such a "retroactive" award. Moreover, equitable relief, by its nature, is prospective. Thus, under the circumstances, it would make no sense to require dismissal of the declaratory judgment count only so that it could be refiled.

As this Court said in Rice v. Sioux City Memorial Park Cemetery, Inc., 349 U.S. at 74:

> A federal question raised by a petitioner may be "of substance" in the sense that, abstractly considered, it may present an intellectually interesting

> and solid problem. But this Court does not sit to satisfy a scholarly interest in such issues. Nor does it sit for the benefit of the particular litigants. . . . "Special and important reasons" imply a reach to a problem beyond the academic or the episodic. (Citations omitted).

Even if the Federal Circuit erred in failing to dismiss Genentech's declaratory judgment action so that it could be refiled on the basis of the University's continuing violation of the patent laws, the issue does not merit review by this Court.

CONCLUSION

The petition for a writ of certiorari should be denied.

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No. 93-1014

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
Petitioner,

VS.

GENENTECH, INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

Respondent Genentech, Inc. does not dispute that the Federal Circuit's ruling will affect a vast number of cases in which States own patents, and that the impact on the States will be severe. The issue is of tremendous importance, as illustrated by the instant case where Genentech seeks over fifty million dollars plus punitive damages in its state law claims for recoupment, and declarations on how the State should manage its patent licensing program to comport with state law.

Genentech also does not dispute that the State has no choice but to sue in federal court to enforce its patent. Thus, Genentech's argument is that the State has waived its immunity to state law claims without any meaningful voluntary action.

The essence of Genentech's opposition is that this case does not deserve the Court's attention because the Federal Circuit's opinion is correct. However, the ruling that *Pennhurst State School &*

Hospital v. Halderman, 465 U.S. 89 (1984), does not apply when a State owns a patent is wrong and represents a substantial erosion of the rule announced in *Pennhurst*. As to the separate abrogation issue presented by Genentech's patent declaratory judgment suit, the court of appeals' extension of abrogating legislation to an area never considered by Congress violates the rule announced in *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985), which permits abrogation only where Congress clearly intended it. The petition should be granted to resolve these conflicts before the Federal Court's opinion has far-reaching, negative effects on the States' economic interests and constitutional rights.

I.

Despite Genentech's assertion to the contrary, the Federal Circuit's opinion conflicts directly with the holding of *Pennhurst State School & Hospital v. Halderman*, 465 U.S. 89 (1984), which set forth a flat prohibition against private persons maintaining state law claims against a State in federal court. The Federal Circuit held such claims to be permissible in all litigation involving state-owned patents despite *Pennhurst*.

The circuit court held that the University had waived *Pennhurst* immunity under what it called "the *Clark* exception to *Pennhurst*." A-25.[1] Genentech suggests that such an exception is well established and means that a State waives its immunity to pendent and ancillary jurisdiction by bowing to exclusive federal jurisdiction when vindicating a federal right. Opposition at 4-5.

Neither *Clark v. Barnard*, 108 U.S. 436, 447 (1883), nor *Pennhurst* so held. The University does not question the holding in *Clark* that a State can waive its rights under the Eleventh Amendment, which is all that the Court cited *Clark* for in

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[1] The Federal Circuit recognized that the State's *Pennhurst* immunity to the state law counts had not been abrogated by the Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992). A-20 ("these counts are not within the statutory abrogation").

Pennhurst. 465 U.S. at 99. However, the scope of the waiver in this case is required by *Pennhurst* to be limited to the federal questions that must be resolved in federal court. The principles of federalism which underlie the Eleventh Amendment and *Pennhurst* are equally applicable to Genentech's state law counterclaims. Petition at 6-9. The "intrusion on state sovereignty" (*Pennhurst*, 465 U.S. at 106) is the same, whether the state law claims are in a complaint or a counterclaim.

Genentech fails to address any of these policy concerns, and instead advances what it considers to be competing policies that support the Federal Circuit's holding. Each argument that Genentech makes was rejected in *Pennhurst*.

Genentech argues that a federal court adjudication of state law claims against a State is necessary to a complete resolution of the controversy. Opposition at 5-6. That argument was rejected in *Pennhurst*. 465 U.S. at 121 ("pendent jurisdiction does not permit such an evasion of the immunity guaranteed by the Eleventh Amendment"); *accord County of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 251 (1985) ("The Eleventh Amendment forecloses, however, the application of normal principles of ancillary and pendent jurisdiction where claims are pressed against the State").

Genentech asserts that bifurcation between the state and federal courts will give States an unfair "procedural advantage." Opposition at 6. *Pennhurst* rejected the same contention that "considerations of judicial economy, convenience, and fairness to litigants" should permit state law claims to be asserted against a State in federal court. 465 U.S. at 121-123.

> [S]uch considerations of policy cannot override the constitutional limitation on the authority of the federal judiciary to adjudicate suits against a State.

Pennhurst, 465 U.S. at 123, *citing Missouri v. Fiske*, 290 U.S. 18, 25-26 (1933).

Genentech also argues the *Pennhurst* should be ignored because it would lead to "hair-splitting". Opposition at 6. *Pennhurst*, however, holds that the Constitution mandates an inquiry

into whether each claim is forbidden by the Eleventh Amendment. *Pennhurst*, 465 U.S. at 121 ("A federal court must examine each claim in a case to see if the court's jurisdiction over that claim is barred by the Eleventh Amendment").

Genentech further asserts that there would be confusion as to where state law claims should be filed, and that the University is seeking to establish a "new rule". No confusion about the bright-line, black-letter rule established in *Pennhurst* can be justified. State law claims against a State are to be filed in state court. It is the Federal Circuit's opinion that creates a new rule and invites confusion by suggesting that inroads on *Pennhurst*'s straightforward application are proper.

Genentech also asserts that the Supreme Court's review should await the district court's determination on remand as to which of the state law counterclaims meet the test of Rule 13(a) of the Federal Rules of Civil Procedure. The horse will have already left the barn by that point. The Federal Circuit's decision establishes that *Pennhurst* succumbs to Rule 13(a) and does not apply in patent cases involving States. The district court would be determining which state law counterclaims meet the Rule 13(a) test without regard to the holding of *Pennhurst*. The point of this petition is that such an exercise it forbidden by the Constitution.

II.

An independent issue is presented by the Federal Circuit's decision on the effect of Public Law 102-560 ("the Act") on Genentech's patent declaratory judgment count. The court's holding conflicts with the rule of *Atascadero State Hospital v. Scanlon*, 473 U.S. 234, 242 (1985), that "Congress may abrogate the States' constitutionally secured immunity from suit in federal court only by making its intention unmistakably clear in the language of the statute." Genentech echoes the Federal Circuit's view that the phrase "any other violation under this title" in new Section 296(a) of Title 35 plainly includes declaratory judgment suits asserting that a State's patent is not valid or enforceable. However, if Congress wanted to include such suits, *Atascadero* requires that the legislation say so clearly and unambiguously in

the text of the statute. That clarity is absent from the Act. Petition at 12-13.

Any reasonable interpretation of a statute that would preserve the State's sovereign immunity must be accepted. There is a powerful presumption against a contrary construction. *Hoffman v. Connecticut Dept. of Income Maintenance*, 492 U.S. 96, 101-102 (1989) (plurality opinion); *United States v. Nordic Village, Inc.*, 503 U.S. ____, 112 S. Ct. 1011, 1016 (1992) (following the *Hoffman* plurality in upholding the Federal Government's sovereign immunity: where statute is subject to "plausible" interpretations which do not eliminate sovereign immunity, statute is not "unambiguous"). The Act is reasonably interpreted as applying only to violations of an inventor's rights as patentee and not as enabling accused infringers to file suit to attack a patent owned by a State. Petition at 10-13. Preserving the States' fundamental rights guaranteed by the Constitution compels adoption of this construction of the Act.

The legislative history of the Act buttresses the University's interpretation, rather than contradicts any supposed plain meaning, for it demonstrates that Congress' sole concern was protecting patent owners. *See Atascadero*, 473 U.S. at 243 (requiring "the federal courts to be certain of Congress' intent before finding that federal law overrides the guarantees of the Eleventh Amendment"); *id.* at 247 (requiring "an unmistakable congressional purpose . . ."). Congress' inclusion of general language about "this title" in the code section for infringement (35 U.S.C. § 271(h); A-44) only further illustrates how exclusively Congress focused on protecting the rights of patentees.

Genentech asserts that the University's interpretation of the Act could render portions of the Act meaningless, and that the University has not identified what is encompassed within the meaning of "any other violation." Opposition at 8-10. That is not correct. The Act provides protection to patentees. In addition to infringement, the Act will protect inventors from violation of any other right that arises from patent ownership. *E.g.*, 35 U.S.C. § 283 (the court may "prevent the violation of any right secured by patent"). An inventor may also bring an interference claim to determine priority of inventorship (35 U.S.C. § 291) or a suit for

false marking of a product (35 U.S.C. § 292). New Section 296(a) will not be stripped of meaning even though it does not reach declaratory judgment suits asserting that a State's patent is not valid.[2]

Genentech makes no serious attempt to defend the Federal Circuit's retroactive application of the Act to reinstate a suit filed in 1990. Instead, Genentech argues that the issue is inconsequential and merely academic. While Genentech would confine retroactivity issues to scholarly debate, the Court has not done so. *See e.g.*, cases cited in Petition at 14-15. Certainly retroactivity does not lose its importance when the constitutional immunity of the States is at stake.

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[2] Genentech is not correct in asserting that the Federal Circuit held that the University had invoked federal jurisdiction by threatening to enforce its patent. Opposition of 2 n. 2. A-19 ("[I]t appears to be unnecessary to decide whether there was an earlier non-statutory waiver of University immunity with respect to the patent counts. We thus do not reach the question of whether the University had waived any immunity it may have had from suit under the patent law"). In any event, acceptance of the argument that a State waives its immunity by involvement in a case or controversy within the scope of Article III of the Constitution would make the Eleventh Amendment superfluous. *See Pennhurst*, 465 U.S. at 120 (Eleventh Amendment "is an independent limitation on all exercises of Art III power").

CONCLUSION

The petition for a writ of certiorari should be granted.

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